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Tax Reforms in East Asia Under Globalization

Korea Institute of Public Finance

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■ 진행순서

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<제 1 주제>

Sweeping Tax Reform in Japan

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Economic Globalization and Chinese Tax Reform

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〈제 3 주제〉

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Global시대 동아시아의 세제개혁 방향

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開 會 辭

宋 大 熙 / 한국조세연구원 원장

내외 귀빈 여러분, 안녕하십니까.

1992년에 설립되어 그 동안 체계적인 연구를 통하여 우리나라의 조세·재정 정책 수립을 다각도로 지원해온 한국조세연구원이 어느덧 개원 10주년을 맞이하였습니다. 오늘의 조세연구원이 있기까지 여러 방면에서 도와주신 전임 원장님들과 직원들 그리고 관계자 여러분께 이 자리를 빌어 감사의 말씀을 전합니다. 지난 10년간 우리 경제는 많은 변화를 겪어왔습니다. 특히 우리나라는 1990년대 말 갑작스러운 외환위기를 맞아 어려운 고비를 겪기도 하였습니다. 이러한 외환위기의 원인으로 일부에서는 개방화·세계화를 지적하기도 합니다. 그러한 시각이 일면 타당성을 가지고 있는 측면도 있으나, 이제 우리 경제가 다시 과거의 폐쇄경제로 돌아갈 수는 없습니다. 글로벌화는 이제 확실한 세계경제의 추세라고 하겠습니다.

세계화뿐 아니라 정보통신기술의 발전에 따른 전자상거래의 활성화, 출산율의 감소에 따른 인구의 고령화 등은 전세계가 공통으로 겪고 있는 경제 패러다임의 변화라고 하겠습니다. 이러한 경제 환경의 변화는 각국의 조세제도에도 심대한 영향을 미치고 있습니다. 세계화에 따른 조세경쟁은 각국의 세율인하경쟁을 유도하기도 하고, 전자상거래의 발전은 기존의 조세 개념으로는 감당하기 어려운 영역을 만들고 있습니다. 고령화와 복지수요의

증대는 향후 재정안정에 심각한 영향을 미칠 것이며, 이에 대비한 세제의 개혁이 요구되고 있습니다.

한국, 중국, 일본의 동아시아 삼국은 지리적으로 가깝고 한자 문화권에 속하여 서로 유사한 사회 환경을 갖고 있는 동시에 또 각기 독특한 특징을 갖고 있기도 합니다. 경제적인 면에서 본다면 거대한 인구와 시장을 가지고 있는 중국은 세계적인 불황 속에서도 높은 경제성장률을 보여왔으며, 일본은 장기적인 경기 침체를 겪고 있습니다. 한국은 금융위기를 극복하면서 다시 안정적인 성장을 하기 시작하였습니다. 이들 세 나라는 이제 세계화라는 변화의 물결에 대응한 세제개혁의 필요성을 공감하고 있습니다. 따라서 이들 세 나라가 함께 모여 글로벌 시대 세제개혁의 방향을 논의하는 장을 마련함으로써 서로의 이해를 증진시킬 수 있다고 생각합니다. 또한 이러한 기회는 지역경제 협력을 위한 시너지 효과를 창출할 수 있는 발판의 역할을 할 것으로 기대되기도 합니다.

이러한 목적으로 저희 한국조세연구원은 오늘 일본 히토츠바시 대학 총장이자 일본정부 세제조사회 회장이신 石弘光 박사와 중국 재정과학연구소 부소장이신 王朝才 박사를 비롯한 양국의 저명한 재정학자들과 우리나라의 재정학자들을 모시고 「Global 시대 동아시아의 세제개혁 방향」이라는 주제로 국제심포지엄을 개최합니다. 오늘의 모임이 세 나라간 서로의 이해를 증진시키고, 앞으로 세제정비와 행정개혁에 있어서 협력의 기틀을 마련하는데 조그마한 도움이 되면 기쁘겠습니다. 또한 이러한 모임이 세 나라를 돌아가면서 지속될 수 있었으면 하는 것이 저의 바람입니다.

바쁘신데도 불구하고 이렇게 참석하시어 자리를 빛내주신 내빈 여러분께 다시 한번 감사의 말씀을 드립니다.

基 調 演 說

최근 경제동향과 앞으로의 세제운용방향

尹 鎭 植 / 재정경제부 차관

1. 인사말씀

존경하는 송대희 원장님 그리고 내빈 여러분!

한국조세연구원의 뜻깊은 개원 10주년을 진심으로 축하드리며, 아울러 바쁘신 일정에도 불구하고 이 자리에 참석해 주신 내빈 여러분께 깊은 감사를 드립니다.

그동안 한국조세연구원은 재정과 조세부문의 이론적 틀과 정책대안을 제시함으로써 정부의 선진세제 마련과 합리적인 조세정책 수립에 크게 기여해 왔습니다.

이 자리를 빌어 한국조세연구원 여러분들의 노고를 진심으로 치하드립니다.

국민의 정부는 지난 4년반 동안 온 국민과 함께 노력하여 외환위기를 슬기롭게 극복하고, 금융·기업·공공·노동 등 4대 부분의 구조조정과 개혁을 성공적으로 추진해 왔습니다.

그 결과, 우리나라는 최단기간 내에 국가신용을 A등급으로 회복하였으며, 국제적으로도 1997년의 경제위기를 가장 성공적으로 극복한 나라로 평가받고 있습니다.

그러나, 우리 경제는 아직도 구조조정의 지속, 경제체질 강화, 대외경쟁력 제고 등과 같은 적지 않은 과제들을 갖고 있는 것도 사실입니다.

2. 최근의 경제동향 및 전망

■ 세계 경제 동향

최근의 세계경제 동향을 살펴보면, 미국경제는 지난 7월 급락세를 보였던 주식시장이 회복되고 있는 가운데 달러환율도 소폭 강세로 전환되는 등 금융시장이 전반적으로 안정되고 있습니다.

이에 따라, 경기침체에 대한 우려가 최근에는 점차 줄어드는 양상을 보이고 있습니다.

한편, 일본 및 유로경제는 수출 주도의 경기회복을 지속하고 있으나, 향후 미국의 경기불안 여파로 본격적인 경기회복은 다소 지연될 전망입니다.

일본은 금년 성장률을 마이너스 1% 내지 0%로 전망하고 있으며, EC는 유로지역 3/4분기 성장률을 당초 1%에서 0.6% 내지 0.9%로 하향 조정하고 있습니다.

국제유가는 미국의 이라크 공격 가능성, OPEC의 증산 불투명 등으로 공급불안 우려가 가중되어, 8월 들어 배럴당 26달러대로 상승하는 등 불안한 모습을 보이고 있습니다.

■ 국내 경제 동향 및 정책 방향

최근 우리 경제는 미국의 경기회복 지연과 국제 유가불안 등 여러 가지 불안요인에도 불구하고, 내수·수출·투자가 비교적 균형을 이루면서 회복세를 지속하고 있습니다.

특히, 그동안 성장세를 주도하였던 소비와 건설투자가 안정적으로 둔화된 가운데, 수출이 큰 폭으로 증가하고 설비투자가 회복세를 보이고 있어 당초 전망했던 6%대 성장은 달성할 것으로 봅니다.

그러나, 미국경제 등 대외여건이 불확실하고, 대내적으로는 주식시장이

부진하고 부동산시장이 과열되고 있는 점 등을 고려하여 거시정책과 부문별 대책을 신중하면서도 탄력적으로 운영해 나갈 것입니다.

또한, 모든 정책의 신뢰성과 투명성을 높여 시장의 신뢰가 계속 제고될 수 있도록 노력하겠습니다. 금년은 국민의 정부 5년을 마무리하는 해입니다.

앞으로의 경제운용은 지난 4년반 동안 추진한 구조개혁과 경제체질 강화 노력을 흔들리지 않고 지속하여, 그동안 추진해 온 경제개혁을 완수하는 데 중점을 두어 추진하겠습니다.

3. 세제운용 방향

■ 그동안의 세제 및 세정개혁 성과

내빈 여러분!

그 동안의 세제면에서의 성과를 보면 국민의 정부 출범 이래 공평성과 효율성을 제고하기 위해 매년 대폭적 세제개편을 추진하여 근로소득공제 확대, 특소세 과세대상 축소 등 봉급생활자와 중산·서민층의 세부담을 경감해 왔습니다.

또한, 금융소득에 대한 종합과세도 재시행하는 등 그동안 제기된 주요 개혁과제의 추진을 완료하였습니다.

특히, 지난해에는 ‘넓은 세원, 낮은 세율’의 원칙하에 소득세, 법인세 등의 세율을 인하하고 법인의 특별부가세를 폐지하였습니다.

세정면에서도 국세청의 조직을 전면개편하여 종전의 세목별 조직을 납세자 중심의 기능별 조직으로 전환하고 1개의 지방청과 35개의 세무서를 통·폐합하였습니다.

또한, 납세자보호담당관 신설, 전화세무상담센터 개통 등 납세서비스 기능을 대폭 강화하였습니다.

■ 내년도 세제운용 방향

내년도 세제운용은 그 동안의 대폭적인 세제개편이 잘 정착되도록 보완 조치를 마련하는 데 역점을 두면서, 공평과세 실현과 균형재정 달성을 위한 노력도 함께 기울여 나갈 것입니다.

우선, 근로자 등 중산·서민층에 대한 지원을 계속하고, 중소기업의 정보화 투자를 촉진하여 기업경쟁력을 높여 나가도록 하겠습니다. 이를 위하여 무주택자의 주택구입시 차입금 이자에 대해 소득공제 금액을 상향조정하고, 기업의 정보화투자에 대한 세액공제를 확대할 것입니다.

둘째, 비과세·감면 축소를 통해 세입기반을 확충하고, 공적자금·SOC·사회복지 등 증가하는 재정수요를 원활히 뒷받침하도록 할 것입니다.

셋째, 합병 등 자본거래를 통한 새로운 변칙 상속·증여에 대한 증여의제 범위를 확대하여 고액재산가의 변칙적인 상속·증여를 방지하도록 하겠습니다.

넷째, 경제의 대외개방화 추세에 맞추어 국제거래관련 조세를 국제기준에 부합하도록 합리적으로 개선할 것입니다. 이를 위해 외국 과세당국과의 금융정보 교환기능을 강화하고 이전가격 과세제도 등을 개선하겠습니다.

다섯째, 경제여건 변화에 부합되지 않는 기업규제를 완화하고 각종 제도를 국민편의 위주로 개선할 것입니다.

끝으로, 납세편의 제고, 세제간소화 및 세제선진화를 위해 2004년 시행을 목표로 소득세법, 부가가치세법 등의 정비를 추진하겠습니다.

■ 중장기 세제운용 방향

내빈 여러분!

최근 경제정책수단으로서 조세정책의 역할과 중요성이 크게 부각되고 새로운 경제환경 변화에 대응하려는 근본적인 세제개혁에 대한 요구가 커지고 있습니다.

따라서, 정부는 그 동안의 세제개편을 안정적으로 정착시켜 나가는 한편, 과학적이고 합리적인 조세정책을 탄력적으로 마련, 추진해 나갈 것입니다.

정부는 ‘넓은 세원, 낮은 세율’, ‘경쟁력있는 세제’, ‘알기 쉽고 간소한 세제’를 중장기 세제운용의 기본방향으로 삼아 지속적인 세제·세정 개혁을 적극 추진해 나가겠습니다.

4. 맺는 말씀

내빈 여러분!

우리나라가 IMF위기를 조기에 극복함에 있어 ‘건전재정’은 무엇보다 큰 역할을 하였습니다.

앞으로도 세계경제의 불확실성에 대응하고 대내적인 경제문제를 해결하기 위해서는 재정의 건전성 유지가 매우 중요합니다.

이를 위해 세제와 세정의 역할이 그 어느 때보다도 막중하다고 하지 않을 수 없습니다.

이런 의미에서 재정 및 조세정책의 싱크탱크로서 한국조세연구원이 시의에 맞고 효과적인 정책대안들을 많이 개발하여 정부의 조세정책 수립과 세제 및 세정개혁 추진에 실질적인 도움을 줄 수 있기를 바랍니다.

오늘 이 심포지엄이 활발한 토론을 통하여 발전적인 세제개혁 방안을 도출해낼 수 있기를 기대하며 다시 한 번, 참석해 주신 국내외 내빈 여러분께 감사의 말씀을 드립니다.

제 1 주 제

Sweeping Tax Reform in Japan

주제발표

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Sweeping Tax Reform in Japan

Hiromitsu Ishi*

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. Introduction

Now in Japan, the sweeping tax reform is being deliberated by the Government Tax Commission under the ongoing process of Koizumi structural reform. The aim of this paper is to discuss the present sweeping tax reform in Japan, an important and dynamic process to establish a desirable tax system that will provide one of the fundamental infrastructures for the society and economy in the future.

The Government Tax Commission is one of the important advisory bodies to the prime minister. In June 2002, the Government Tax Commission submitted an interim tax report entitled “Policy Guidance on the Establishment of a Desirable Tax System” to Prime Minister Koizumi. Eight months ago, on January 17 of this year, the prime minister attended the general meeting of the tax commission and asked its members to start full-fledged discussions toward a desirable tax system in the future. He requested them to deliberate Japan’s tax system with 10 to 15 years’ perspective towards the future without sanctuaries and prejudgments. Following his request, the commission began to discuss intensively for six months to prepare for the tax report. The commission also held tax town meetings at eleven venues for half a year to listen directly to various opinions from the Japanese taxpayers.

Based upon such an experience, the current tax reform argument toward the future is examined as follows. The contents are divided into four parts. First,

we begin with the explanation of basic background surrounding the ongoing tax reform. We need to clarify basic conditions to proceed tax reform argument and to point out two fundamental socio-economic changes to the future tax system; population aging and debt accumulation. Second, we describe any necessary strategies for reforming the tax system. Our basic tax criterion is based on equity, neutrality and simplicity, which are fulfilled by broadening the tax base and flattening tax rates. On this point, it is important to seek “broad and thin burden” among all the taxpayers in reforming each tax. Also, the phenomena of “hollowing-out of tax” is stressed. Third, we examine the detailed reform plan of four major taxes; the individual income tax, the corporate taxes, the consumption tax and the gift-inheritance taxes. Finally, we conclude remarks with the coming plan of deliberation.

. Basic Background of Tax Reform

The designing of a desirable tax system discussed in the tax report is guided by four basic conditions. First of all, the reform was discussed from a long-term perspective. Since the economy is not performing well with no sign of full recovery at present in Japan, there are widespread voices to support fiscal stimulus through tax measures. However, according to the prime minister's request, the tax commission took a long-term perspective, rather than a short term view for tax reductions exclusively.

Second, there are two aims for the reform itself. For one thing, the first aim is to rectify the mismatch existing between the socio-economic structure of today and the current tax system. The framework of the current tax system was founded on the recommendation of the US tax mission headed by Dr. Shoup in 1950. Since then the tax system has often been altered, but it is not well matched with the changing structure of the society and economy of Japan.. In the past Japan was a much younger society with a larger proportion of workforce. Elderly people have been given tax privileges because they were considered as socially vulnerable. The family style of Japanese people has greatly changed, too. Until recent years, most housewives have stayed at home to do domestic chores and working women were a minority. This is not true nowadays. Certain tax treatments, such as exemption for spouse and specific exemption for spouse, were introduced to meet needs of such a family

lifestyle, but they might not quite fit any more for families in the age of the gender-equal society of today.

The other aim is to secure stable revenue sources for the government. Since the collapse of bubble economy in the early 1990s, the government of Japan has taken fiscal stimulus measures successively both through expenditure increases such as public works, and tax cuts ... cuts and cuts. As a result, the Japanese tax system has turned into a poor collection ability of raising revenue necessary for public provision. Given that Japan is moving rapidly down the road towards a society with fewer children and an aging population, and that the fiscal deficit of the government is growing, it is clear that the current tax system will not be able to fulfill its fundamental role. Therefore, establishing a stable revenue base is another important goal of the tax proposal.

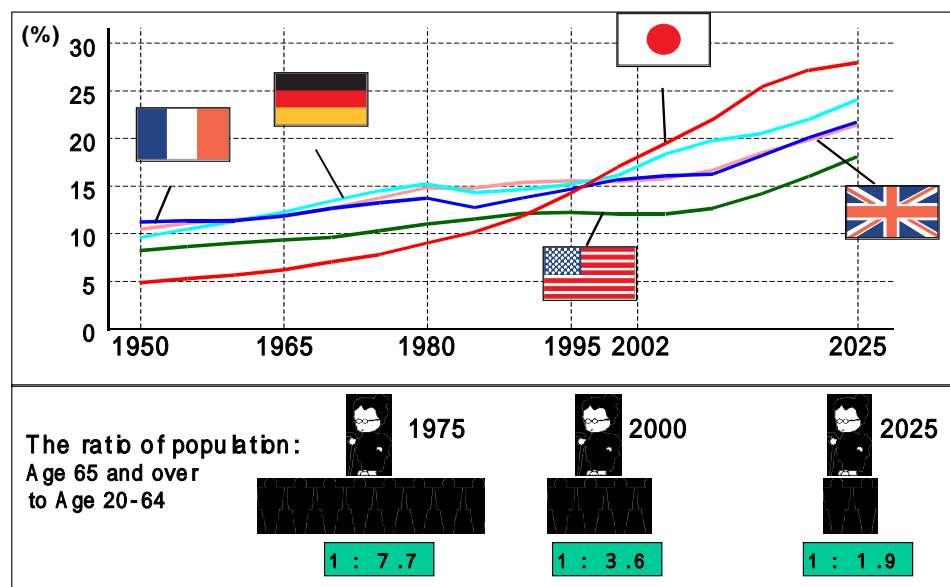
Third, expenditure cuts and administrative reform are emphasized as the necessary requirement of tax reform. It is obvious that revenue-increasing measures in the future cannot be avoided. General public will not, however, accept any attempts to increase their burden without assurances that tax money they pay is spent effectively and efficiently by the government. The Government Tax Commission is considering this very seriously and this would be one of the starting points of the sweeping tax reform.

Fourth, although the proposed tax reform is for the long-term span of 10-15 years, we cannot avoid dealing with the current problem to buoy up the depressed state of the economy. A number of fiscal measures to stimulate the sluggish economy were taken in the past without considering the future tax

burden for debt redemption. At that time it is constantly hoped that the economy would be boosted by such measures, in which economic recovery could in turn recoup the revenue loss of increased expenditures or tax cuts. Such an irresponsible attitude cannot be tolerated in the future. Design of any short-run tax measures to pull the economy out of recession should be compatible with the long-term perspective for the reform.

No doubt, it is very important to consider how the fundamentals for the future tax reform will be changing toward the movement of 21st century. We must stress the importance of the following two facts; one is the coming era of population aging and the other growing fiscal deficit.

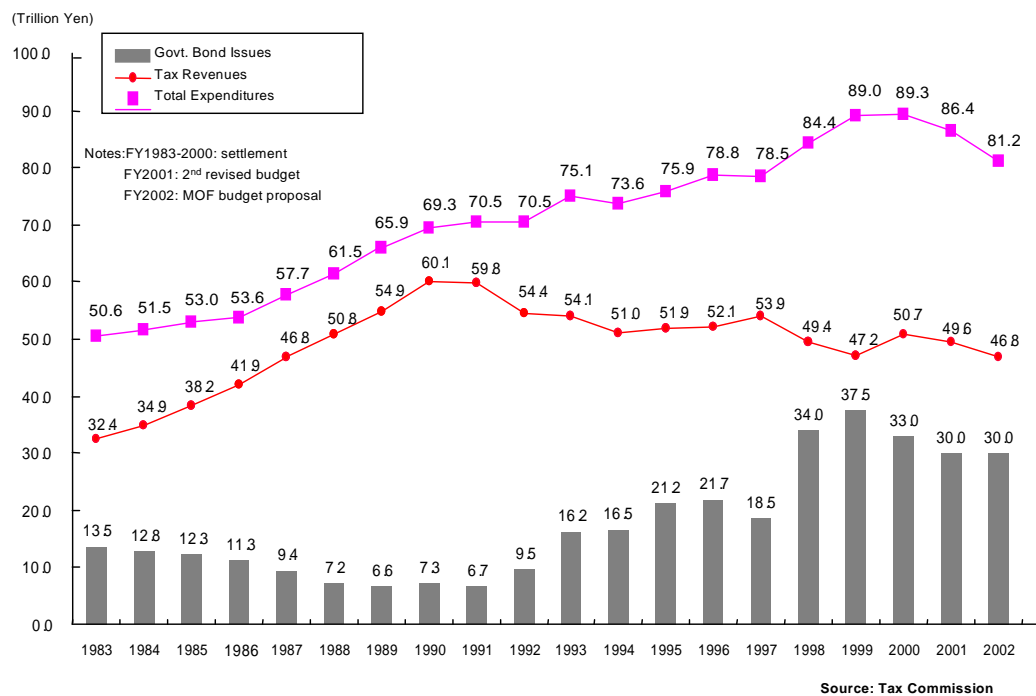
In the first place, in Japan there is growing concern over the perceived increase in the dependency of large numbers of elderly population upon a diminishing working population. Needless to say, the growth of the elderly group will impose increasing burdens on the non-elderly persons to maintain public pensions, public medical services, public care services and others. As seen in Fig.1, the phenomenon of population aging is depicted as the sharp rise of elderly ratio (the proportion of the population over 65 in total) among G7 countries. Particular attention should be paid to the projected surge in Japan's population aging at the first quarter of 21st century. The elderly ratio in Japan has outstripped that in many other countries, and is expected to continue to do so up to the 2020s. Given the forecast of population aging described above, the ratio of the working population (aged 20-64) divided by the elderly population is falling rapidly from 7.7 in 1975, 3.6 in 2000 to 1.9 in 2025. This implies that, in 2025, every 1.9 people in the working population will have to support one elderly person.

[Figure 1] Japan's Population is Rapidly Aging (Age 65 and over)

Next, we must observe the fact that Japan's fiscal position has worsened sharply since the early 1990s in terms of fiscal deficits and debt accumulation, reflecting the sluggishness of the economy and successive expansionary policies since the collapse of bubble boom. Fig.2 indicates the trends of fiscal deficits (i.e., national bond issues) expressed by the gap between tax revenues and government expenditures in the general account of national government, which is the most typical scope of government in Japan. The amount of national bond issues has expanded enormously, due to successive rounds of fiscal stimuli to recover the economy by spending through

borrowing. By contrast, taxes have continued to decline for the past decade whose peak was about 60 trillion yen in fiscal 1990 while the present level of tax is merely 47 trillion yen. No doubt, the decrease of 13 trillion yen from the peak is partly due to the stagnation of the economy, but partly due to tax cuts in an institutional setting. Thus, the increased expenditure-revenue gap in fiscal 2002 has reached up to 34 trillion yen which must be made up for expenditure cuts, tax increases or both

[Figure 2] Trends of Tax Revenues, Government Expenditures, and National Bond Issues in the General Account of National Government

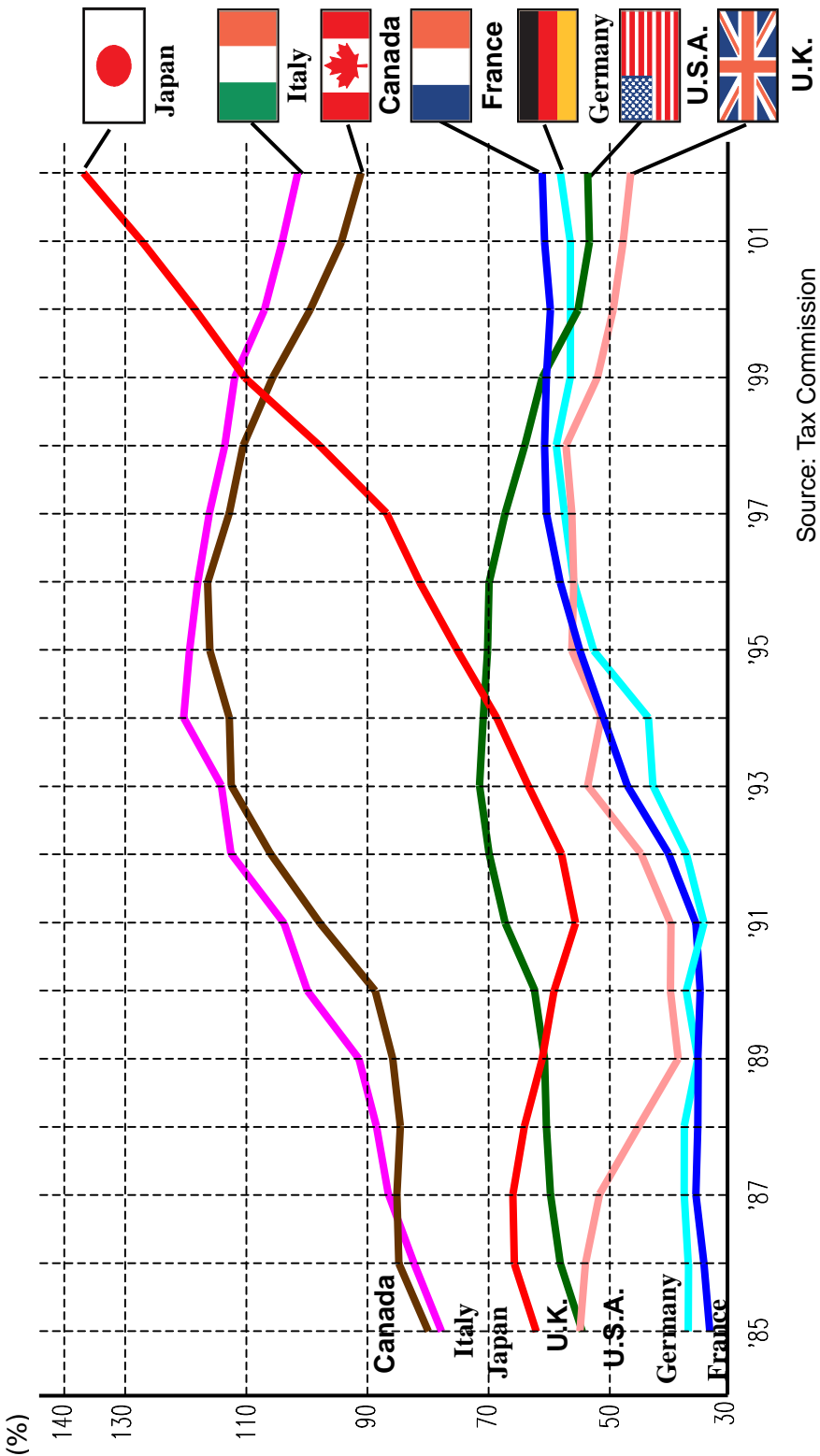


Turning to another measurement, growing fiscal deficits in Japan is shown by using the international comparison of gross debt outstanding as a percentage of GDP in the general government (including both national and local governments). The debt-GDP ratio has started increasing at a faster speed than that of other major countries since 1991. Japan is now the champion among the G7 countries because it exceeds 140 percent at present. As a consequence, Japan's fiscal deficit poses a serious problem today. A report of OECD in 1995 states the following:

Once an economic recovery is under way, Japan's fiscal position will have to be greatly strengthened in order to arrest and reverse the rise of public debt to GDP. This requirement is particularly urgent in view of the expenditure pressure that will soon appear due to the ageing of the population (OECD 1995, p.xii).

Since the OECD report stated like this, seven years have already passed but the situation is getting worse and worse. As stressed previously, given basic conditions surrounding the future tax system, we need to admit that tax increases would not be avoided by any means to satisfy greater fiscal needs in terms of social security benefits, debt charges and so on, in the coming era.

[Figure 3] International Comparison of General Government Debt Outstanding as a Percentage of GDP



. Strategies for Reforming the Tax System

In order to carry on the tax reform, we need to have any strategies to design a desirable framework of the tax system. Traditionally, the Government Tax Commission has employed the tax criterion of "equity, neutrality, and simplicity" as a basic guideline for the designing of tax. Tax equity has two dimensions, vertical and horizontal. Vertical equity is concerned with the distribution of tax burden among different income classes while horizontal equity is targeted for equalizing the tax burden among people in similar economic circumstances. Neutrality of taxation means that the tax system should have as little distortion as possible over choices of individuals and corporations in their economic activities. Removal of various distortions induced by special tax measures would certainly promote fundamental vitality of the economy by the private sector initiatives. A simpler tax system must be of great help to be easier to understand taxation itself and to increase compliance by taxpayers.

These tax criteria can be obviously attained by adopting the basic strategy through widening the tax base and cutting tax rates. As a result of adopting such a strategy, taxes are likely to be collected widely with flatter rates, generating the so-called "broad and thin burden" among all the taxpayers.

Let us examine the current situation of the four main categories of taxes by

using these two keywords (see Table 1). With regard to the individual income tax, the number of tax brackets has been reduced, and the top rate has been cut, as noted below. However, the base-broadening of the income tax has not yet been conducted at all and the existing system of numerous exemptions and deductions greatly erodes taxable base at present. Accordingly, the repeal of exemptions and deductions remains as a future problem. On the other hand, the corporate tax has substantially broadened the tax base and reduced tax rates through successive tax reforms in the past years.

<Table 1> Broaden Base and Flatter Rates
- Measures Taken as of FY 2002 -

Tax Item (National)	Broader Base	Rate Cut
Individual Income Tax	Under consideration	Less progressive rates with 4 income brackets.
Corporation Tax	Repeal of non-taxed items	Rate cuts to meet international standard.
Consumption Tax	Introduction and revision of consumption tax	
Inheritance Tax	Under consideration	Mitigation of progressive rates. Top rate to be lowered.

The good example of broader base and flatter rate was first acknowledged when the consumption tax (Japan's VAT) was introduced into the Japanese tax system in 1989. The consumption tax is one of the typical examples of “ broad and thin burden ” because all Japanese people pay consumption tax at

only 3% (the rate is now 5%). With regard to the inheritance tax, its progressive rate structure has been made moderate to a greater extent, but the top rate of 70 per cent, which is considered too high, has remained untouched.

Apart from a desirable tax style with broader base, the present tax system turns into the narrower tax base, shrinking expected tax revenues. This defect has evidently been brought by neglecting the attempt of base-widening in the past, because it had to lead an unpopular tax increase politically. Thus, the current situation of the Japanese tax system may be called for “hollowing-out of tax” in a simple phrase. In other words, shrinking tax base and revenue is incurred by the past tax reforms in light of tax reduction policies

Table 2 summarizes the phenomena of hollowing-out of tax. The ratio of tax to the national income is only 23%, the lowest among the major countries. A quarter of the workforce and about 70 % of corporations do not pay tax. The majority of traders (i.e., 60%) are exempt from paying the consumption tax and only 5 death out of 100 pays inheritance tax. Needless to say, we absolutely need enough tax revenues to fund necessary public goods and services. Therefore, the tax burden in the future should be borne by all members of the society broadly and fairly to secure indispensable revenues to satisfy basic fiscal needs under the coming aging society and debt accumulation. In other words, the “pains” caused by tax increases must be shared by all.

<Table 2> Overview of “Hollowing-out of Tax”
(Shrinking tax base and revenues)

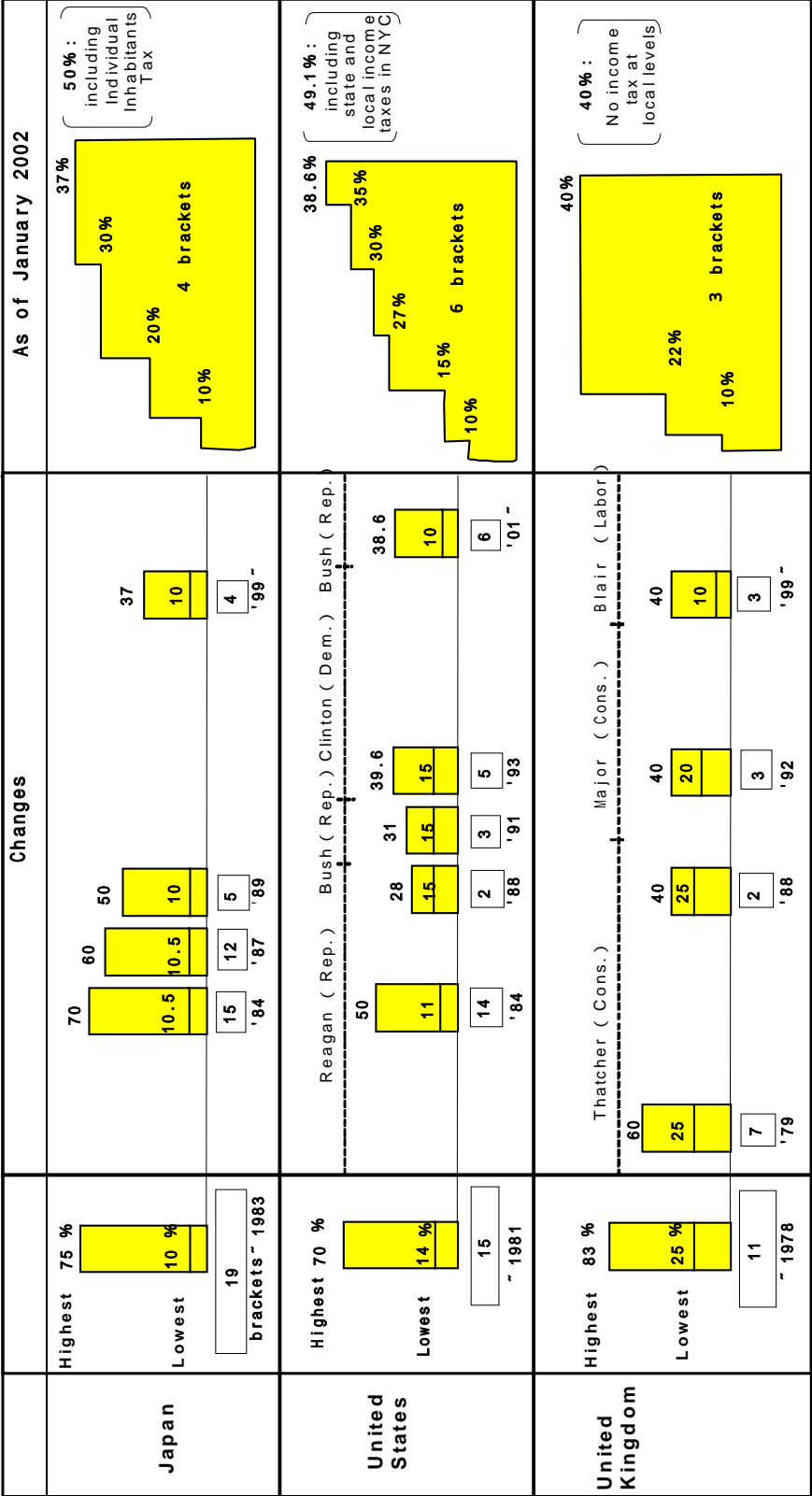
Ratio of Tax to NI (NI: National Income)	23% (national and local) is the lowest among the major countries.
Individual Income Tax	Nearly 25% of the workforce does not pay tax.
Corporation Tax	About 70% of corporations do not pay tax.
Consumption Tax	About 60% of traders are exempt from the payment of tax (due to ¥ 30 million threshold).
Inheritance Tax	Only 5% of inheritances are subject to the tax.

. Details of Major Tax Reforms

According to the tax report of the Government Tax Commission, reform contents of four major taxes are discussed in details as follows. Each tax will have to be changed substantially from a standpoint of tax principles; equity, neutrality and simplicity with base-broadening and flatter rates.

First of all, attention is paid to the reform plan of the individual income tax. In Fig. 4, the changing patterns of income tax rates are depicted in three countries. According to the international comparison, effective income tax rates vividly show how the progressive tax structure has been flattened in the past two decades. Top rates of Japan, the US and the UK around 1980 were over 70% with two-digit number of brackets. Today, they have been reduced to the level of under 40% in all of these countries with simpler and much flatter tax rate structures.

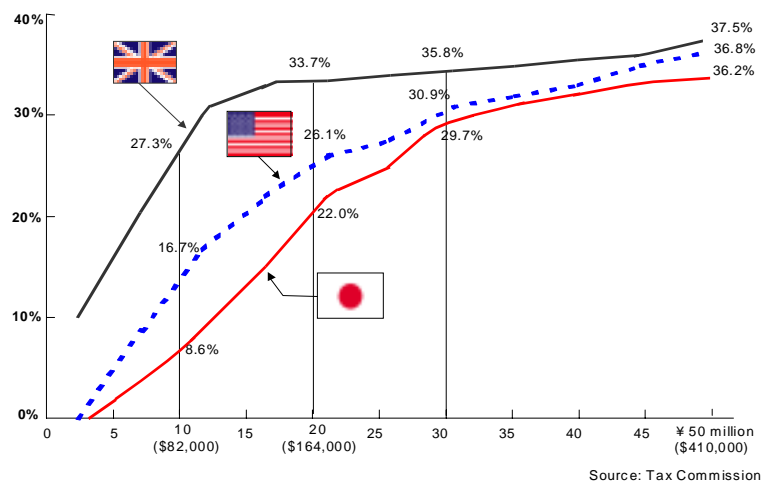
[Figure 4] Changes in Income Tax Rates (National)



Source: Tax Commission

Fig. 5 indicates the interesting characteristics of individual income tax among three countries in terms of effective rate structures. In the UK, taxpayers reach higher tax rates at relatively lower income brackets. In contrast, effective rates grow very gradually in Japan. US taxpayers are in between these two countries. The gap in the effective income tax burden of middle-income earners is quite significant. Indeed, a taxpayer with \$ 82,000 is in the effective rate of 27.3% in the UK and 16.7% in the US while only 8.6% is that of Japanese counterparts with the same level of income. Taxpayers at the top income level pay a relatively similar amount of tax in all of these countries.

[Figure 5] Effective Individual Income Tax Rates



Another feature of Japan's individual income tax is the fact that it contains numerous exemptions and deductions, say over 20 items. In 1950 when the Shoup tax system was established, there were only five or six exemptions and deductions in the individual income tax. Since then, during the second half of 20th century, a great number of special exemptions and deductions were added to them, reflecting a less developed welfare program and the adoption of tax incentive schemes in form of special tax measures.

In Table 3, major items of exemptions and deduction are listed to calculate the tax threshold (minimum taxable level) of wage-earner with a wife and two children. The tax threshold in this case is computed upon the addition of seven items from basic exemption to deduction for social security contribution; 3.8 million yen (\$ 31,500), which indicates the highest level among many other advanced countries. No doubt, this erodes the tax base of income taxes and causes a "hollowing-out of tax" as noted above.

In addition, a mismatch between the current tax system and socio-economic structure is likely to be created by these numerous exemptions and deductions. For instance, it is often criticized that both exemption for spouse and special exemption for spouse are not appropriate in the era of a gender-equal society, distorting the job opportunity of housewives in the society. Similarly, it is often proposed to rethink the removal or mitigation of deductions for employment income, retirement income, the elderly, pensions, working students etc.

Thus, the goal of reforming the current individual income tax should be directed to widen the tax base in view of restoring equity and neutrality, which resulted in impeding the phenomenon of "hollowing-out of tax"

<Table 3> Exemptions and Deductions in the Individual Income Tax are Too Numerous

Major items

1) Basic exemption	}	Minimum taxable level of wage-earner — a couple with two children
2) Exemption for spouse		
3) Special exemption for spouse		
4) Exemption for dependents		
5) Exemption for specific dependents (age 16-22)		
6) Deduction for employment income		
7) Deduction for social insurance contribution		
8) Deduction for pensions		¥ 3.8 million (\$ 31,500)
9) Deduction for retirement income		
10) Deduction for the elderly		
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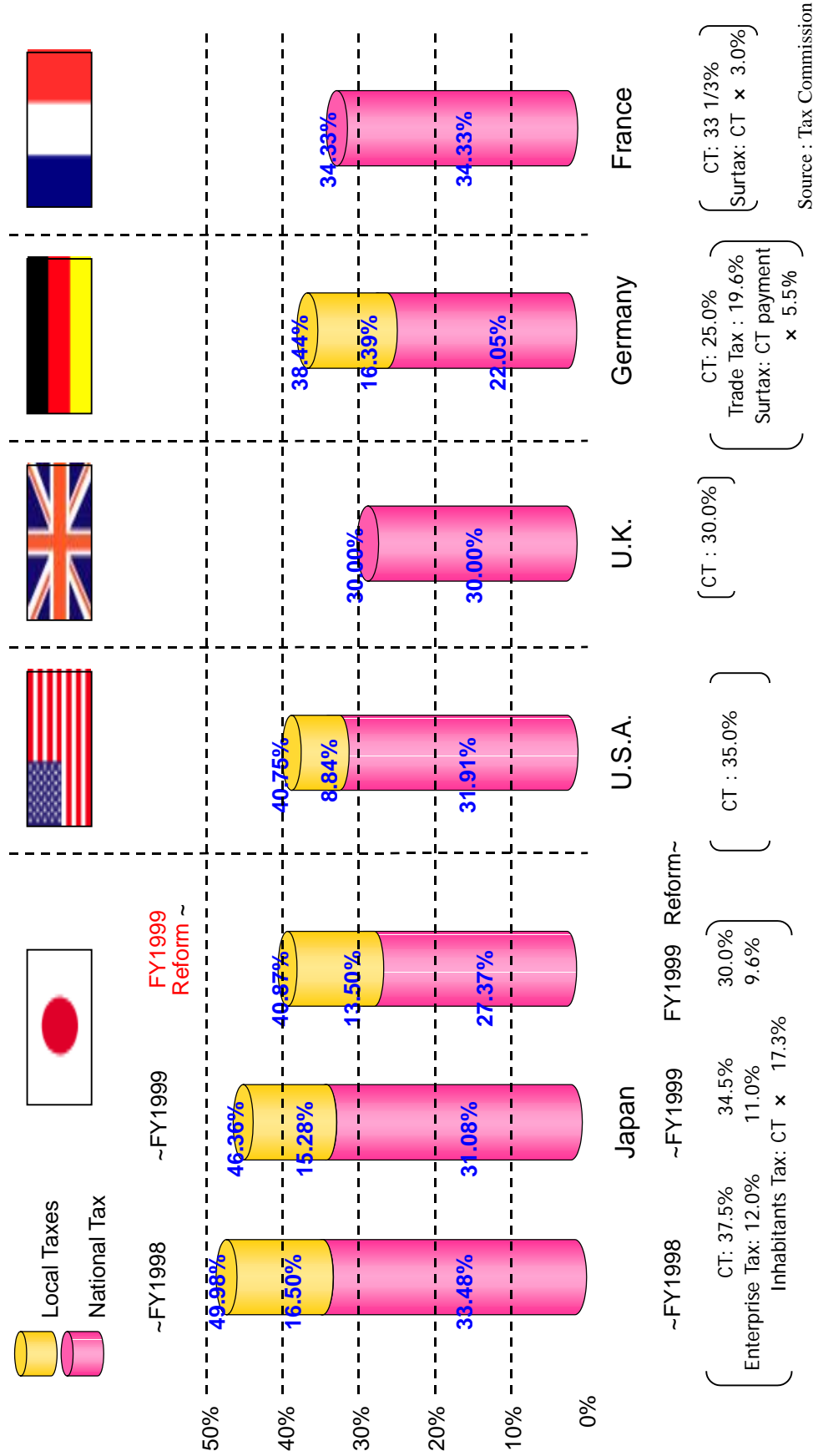
Total numbers over 20

Second, we must consider the direction of corporate tax reform. Businesses are paying the corporation tax out of their profits created by production, sales, service and other activities. These business activities are a source of vitality for the economic society. It has therefore been argued that corporation tax burden should be reduced to some extent in order that Japanese corporations can be competitive in the international markets.

From this standpoint, the corporate tax system has undergone a number of reforms since fiscal 1998. On the one hand, corporate tax rate has been reduced to a level compatible to other major advanced countries, as illustrated in Fig. 6 . From 1998 to 1999, the effective corporate tax rate in Japan was

reduced by 9 percentages to 40.87% in fiscal 1999. This was a tremendously large tax cut for a relatively short period. The counterpart rates are 40.75% in the US, 30% in the UK, 38.44% in Germany and 34.33% in France. The tax rate in Japan is higher than that in the UK or in France mainly due to the tax imposed at local level. Although these two countries have no corporate-related taxes, there are other taxes on corporations collected by local governments, such as “council tax” in the UK and “tax professional” in France. Thus, it is difficult to compare those situations accurately among various countries with different tax systems. As regards the Japanese case, given the large-scale tax cuts in the past, it is not necessary to diminish further the current level of corporate tax rate shortly in Japan.

[Figure 6] International Comparison of Effective Corporate Tax Rates



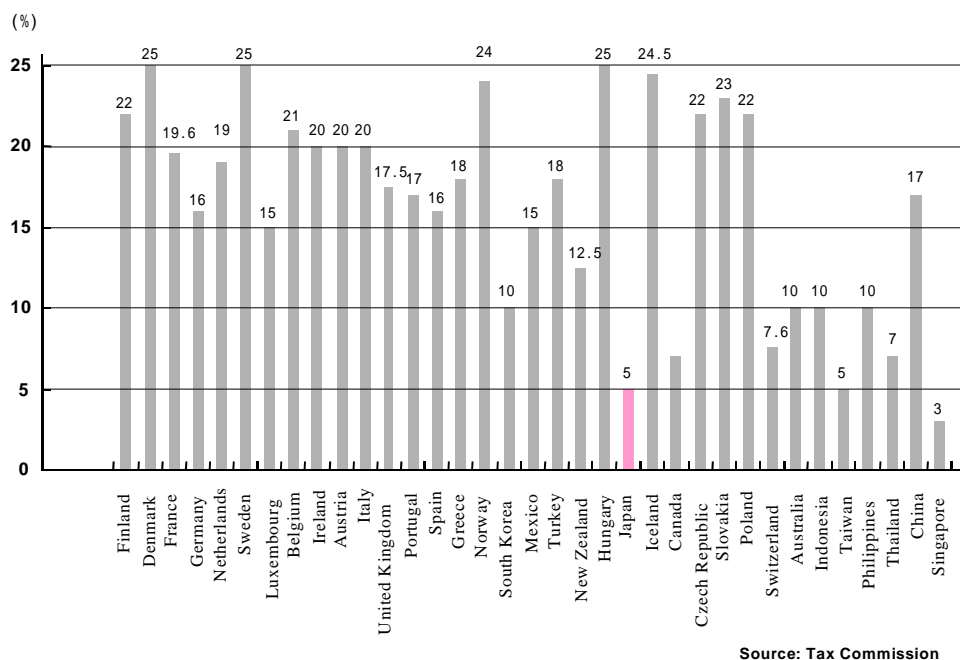
In relation to corporate tax reform, more importance is put to the corporate enterprise tax at local level. The tax base of the enterprise tax is the profits of the corporation. Although all corporations are benefiting public services of local governments, around 70% of corporations do not pay the enterprise tax, as well as the national corporate tax, due to loss-making case. It is widely acknowledged that this would not be fair. Thus, a proposal has been made to change the tax base from profits of corporations to a mix of profits, capital and other value added items so that corporations can be taxed according to the size of their businesses. Under taxation by the size of business, loss-making corporations cannot avoid paying tax, but at this stage details of the change have not yet been decided officially. Local taxation of corporations by size of their business will promote appropriate tax burden through clarifying the relationship between benefits and burdens.

Third, we must examine the future reform of the consumption tax. The consumption tax will play an even more important role in Japan where declining birthrate and aging of the society are continuing. There are a couple of advantages in the consumption tax, although regressive tax burden is unavoidable among low-income earners. For example, consumption tax burdens do not fall excessively on the working generation, including the elderly population. Accordingly, the consumption tax will promote fairness between older and younger generations.

Since the introduction of the consumption tax in 1989, the tax revenue has developed steadily, accounting now for about 20% of the total national taxes, and becoming one of the main taxes in the present tax system. As Fig. 7 depicted, however, the current rate of Japan's consumption tax is still ranked at

one of the lowest levels in an international comparison. Since both growing social security expenditures and fiscal consolidation would not be averted from now on, the rate of consumption tax will have to be raised substantially, increasing its roles further in the future.

[Figure 7] International Comparison of Standard Consumption Tax Rate

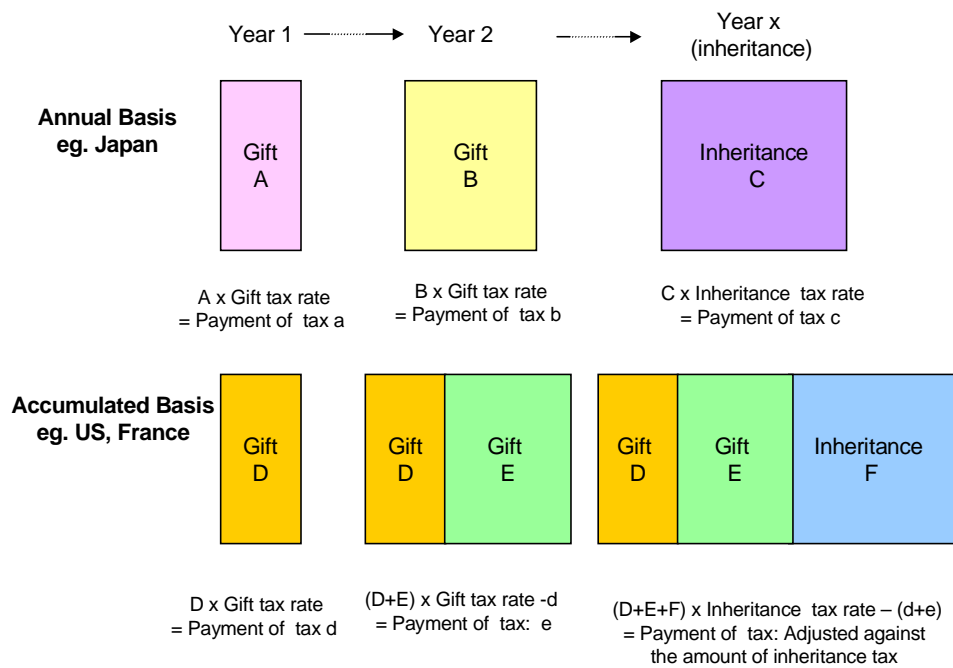


Given the future importance of consumption tax in Japan, it is obviously necessary to gain broad support for such a tax by a majority of Japanese people. Efforts should be made to improve the transparency of the consumption tax whose base should get wider and not to produce any revenue gains due to special privileges for small traders. For this purpose, two measures are

considered (1) to diminish the exemption level which is currently 30 million yen, and (2) to abolish or contract the simplified tax scheme (the use of deemed ratio for a purchase) available for traders with annual sales 200 million yen.

Lastly, as the fourth point, attention is paid to the reform idea of gift and inheritance taxation. There are, broadly speaking, two types, as Fig.8 illustrates. (1) One is annual- based taxation under which the gift tax is levied each year on the amount of gifts made in that year, and the inheritance tax is collected separately at the time of inheritance. Japan adopts this type. (2) The other method is accumulated-based taxation, for example, adopted, by the US and France. Under this method, the amount of gifts made in preceding years will be accumulated and combined in applying the gift tax rate, and the tax paid in previous years will be deducted from the calculated amount of gift tax. When inheritance takes place, the accumulated amount of gifts received from a deceased person before his/her death and the amount of inheritance will be combined and subject to inheritance tax rate. Then, the amount of gift tax charged on the combined gift will be deducted from the amount of inheritance tax.

The rate structure of gift tax in Japan is set at a relatively higher level to prevent tax avoidance, because potential inheritors can avoid the payment of inheritance tax burden by making gifts before their death. Since life expectancy of Japanese people has become longer, the transfer of assets from parents to their children tends to take place in the latter part of parents' life. As a result, it is less significant to make assets acquired through inheritance for supporting life of children in a society of population aging. In order to avert such a problem of asset transfers from one generation to another, it is now argued that a move from gift taxation on an annual basis to accumulated basis might encourage an early transfer of assets from older

[Figure 8] Types of Taxation Method of Gift and Inheritance Tax

generations to younger generations at an early stage of life. It may in turn contribute to the housing purchase, the increased consumption spending and so on to vitalize the economy.

. Concluding Remarks

Our basic idea of the present tax reform is based on 10 or 15 years perspectives, but in June 2002 Prime Minister Koizumi instructed the Government Tax Commission to study the following five items for the 2003 tax reform. The chief reason behind this instruction is that he admitted the necessity of taking initiative in the short-run tax measures to stimulate the depressed economy with lower stock price and appreciated yen value.

1. To integrate and simplify exemptions and deductions of the individual income tax, such as special exemption for spouses and exemption for specific dependents (aged 16-22).
2. To reduce corporate effective tax rate by taxing each corporation at local level according to the size of its business.
3. To increase tax incentives for R&D and investments
4. To rectify special treatments in favor of small traders
5. To lower both the top rate and basic exemption of the inheritance tax, and to promote smooth transfers of gifts from living parents to their children.

These five items presented by Prime Minister Koizumi are closely tied with our basic idea of tax reform from a long-term point of view. They should be

embarked in turn as the first priority of reform package. It is assumed that the combination of tax increases and decreases will be implemented under the revenue neutrality in a single or multiple years.

The sweeping tax reform cannot be achieved without widespread support from the Japanese public. In order to promote establishment of a desirable tax system for the future, we needed to have a sort of public hearings on the basis of nationwide discussion and participation by many. The Government Tax Commission has held town meetings throughout the country to explain the reform plan, and to exchange views mutually with the general public. The meetings have been held at eleven venues during the period of March-September, 2002. Interesting enough, about 70 % of participants (more than 2000 in total) in tax town meetings are supporting our idea of a desirable tax system including increased tax burden towards the movement of 21st century against our expectation.

The Government Tax Commission has proposed first as the official institution that the increase of consumption tax rate will have to be raised up to any two-digit rate in the future. This was really a political taboo in Japan. The Financial Times reported an article, entitled “ Thinking the unthinkable--- A tax rise in Japan ” (June 14, 2002), when the tax report of the Government Tax Commission was made public in June 2002. The mood surrounding the tax reform argument may be changed gradually from now on. As the next stage, dual income tax, scheme, taxpayers number system, tax reallocation between national and local governments etc., will be discussed from now on by the Government Tax Commission.

(Note) I wish specially to thank Mr. Naoki Oka, Research Division of Tax Bureau, Japan's Ministry of Finance, for his help in writing this paper.

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주제발표 요약

Sweeping Tax Reform in Japan

石 弘 光

1. 세제개혁의 기본 전제와 배경

일본의 중장기(10~15년)적인 세제개혁방안은 다음과 같은 4가지 기본 전제를 바탕으로 하고 있다. 첫째, 장기불황에 빠진 일본 경제를 회복시키기 위하여 조세감면 등을 통한 단기적인 경기부양보다는 중장기적인 개혁을 목표로 하였다. 둘째, 세제개혁은 두 가지 목표를 가지고 있는데, 그 하나는 경제-사회의 변화와 세제를 조화시키는 것이다. 1950년에 샤우프 (Shoupe) 박사에 의하여 구축된 일본의 세제는 사회의 변화를 따라가지 못하였다. 예를 들면, 고령화의 진전이라든가 여성인력의 사회진출 등이 그것이다. 배우자 공제나 배우자 특별공제는 성 무차별적인 사회적 변화를 반영하지 못하는 제도이다. 또 다른 목표는 정부의 안정적인 세수를 확보하는 것이다. 1990년초의 버블 붕괴 후 일본 정부는 지출 증가와 조세감면을 통하여 수차례의 경기 부양정책을 실시하였으나, 효과는 없고 앞으로 고령화 등 재정 수요에 대비한 수입구조를 가지고 있지 못하다. 셋째, 정부지출의 축소와 행정개혁을 전제로 하였다. 이러한 개혁이 없이 국민들에게만 세부담을 지울 수는 없다. 넷째, 중장기적인 시각에서 접근하였으나, 단기 부양에도 전혀 무관심할 수는 없었다. 다만 이러한 조치를 미래의 부담과 연결시켜 중장기적인 계획과 부합하게 하였다.

일본이 21세기를 맞아 직면하고 있는 중요한 두가지 경제환경 변화는 고

령화와 재정적자이다. 일본의 노인부양비율은 급속히 증가하고 있다. 2002년 현재 일본의 노인부양비율은 다른 선진국을 앞질렀으며, 2025년에는 1.9명의 노동인구가 1명의 노인을 부양해야 한다. 일본의 재정적자도 심각하다. 1990년초부터 경기를 살리기 위한 부양정책들 때문에 재정적자와 정부부채가 크게 증가하였다. 2002년도 일본의 재정적자는 34조엔이며, GDP대비 부채비율도 1991년부터 급속히 증가하기 시작하여 현재 140퍼센트로서 G7국가 중에 가장 높다.

2. 세제개혁의 내용

세제조사회는 세제개혁은 ‘형평성, 중립성, 단순성’ 기준에 입각하여 진행될 것이다. 이러한 기준을 실천에 옮길 수 있는 전략이 ‘넓은 세원, 낮은 세율’이다. 현행 세제의 문제점을 살펴보면 먼저 개인소득세의 경우, 수많은 공제와 면제가 세원을 잠식하고 있으므로 비과세 및 감면의 축소가 관건이다. 법인세의 경우 수차례 세원을 넓히고, 세율을 낮춰왔다. 1989년에 도입된 소비세는 전형적인 ‘넓은 세원, 낮은 세율’의 세제이다. 상속세의 경우 누진도가 완화된다는 하였으나 아직도 최고세율 70%는 과도하다. 따라서 현행의 세제는 세원의 공동화라고 부를 정도로 과세기반이 부실하다. 조세부담률 23%는 선진국 중에서 가장 낮은 수준이며, 근로자의 25%가 면세자이고, 기업의 70% 정도가 세금을 내지 않는다. 상인의 60% 정도가 소비세 납부를 면제받고 있으며, 상속세 납부 비중도 5%에 지나지 않는다. 따라서 세원을 넓히기 위한 노력이 절실하다.

일본의 세제개혁은 다음과 같은 방향으로 진행되어야 할 것이다. 개인 소득세의 경우, 과세구간의 수를 단순화시키고, 최고세율도 인하할 필요가 있다. 또한 20개가 넘는 각종 공제 및 감면을 줄여야 할 것이다. 배우자 공제, 근로소득 공제, 퇴직금 공제, 연금 공제 등을 없애고 세원을 넓혀야 할 것이다.

법인세의 경우, 법인세율은 이미 다른 나라에 비견될 정도로 낮추었다.

지방세 등 나라마다 제도가 다르기 때문에 직접적인 비교가 다소 어렵다는 것을 감안한다면 일본의 법인세율은 단기적으로는 더 낮출 필요가 없다. 그것보다는 지방법인세의 신설을 생각해 볼 수 있다. 기업들이 지방자치단체의 인프라를 사용하면서도 70%의 기업들이 법인세를 내지 않는 것은 문제가 있다. 따라서 과세표준을 이윤에서 이윤, 자본 및 기타 부가가치의 가중 평균으로 바꿔 기업의 크기에 따라 지방법인세를 과세하는 것이다. 그렇다면 이윤을 내지 못하는 기업도 공공인프라를 사용하는 대가로 어느 정도의 세금은 내게 될 것이다.

소비세는 앞으로 더 중요한 위치를 차지하게 될 것인데, 그렇게 된다면 세부담이 골고루 나뉜다는 장점이 있다. 일본의 소비세율(5%)은 국제적으로 낮은 수준이기 때문에 향후 두 자리수로 인상되어야 할 것이다. 소비세제의 개혁이 국민의 지지를 받기 위해서는 현재 3천만엔 수준의 면세점을 낮추고, 연간 매출 2억엔 이하인 간이과세자를 폐지하거나 축소해야 할 것이다.

상속·증여세의 경우에는 미국이나 프랑스와 같이 과거에 증여받은 재산에 대하여 납부한 세액을 차후 상속시 모든 상속재산을 합하여 과세한 후, 이미 납부한 세액을 공제하여 주는 방식으로 전환하면 세대간의 증여 및 상속이 일찍 이루어져 자식세대의 주택 구입이라든가 소비 증가가 경제의 활성화에 도움이 될 것이다.

일본 세제조사회는 2003년도 세제개편을 위하여 개인소득세의 공제 및 감면을 통합 정리하는 문제, 기업크기에 따라 각 기업을 지방에서 과세함으로써 법인의 실효세율을 낮추는 문제, R&D투자의 유인을 증가시키는 문제, 영세사업자에 대한 특혜를 줄이는 문제, 상속세의 최고세율과 면세점을 낮추는 문제 및 부의 세대간 이전을 보다 이른 시기에 일어나게 하는 문제 등에 대하여 논의를 계속하고 있으며, 이와 더불어 자본소득 분리과세(dual income tax), 납세자 번호 제도, 국세와 지방세의 조정 등의 문제를 논의할 예정이다.

제1주제 토론 요약

○ 사회: 郭泰元 / 서강대 교수

우선 저는 이 자리에서 여러분들에게 사회자로서 히토츠바시 대학의 石弘光 총장을 소개해 드릴 수 있다는 것을 큰 영광으로 생각합니다. 石弘光 총장이 얼마나 대단한 분이신지에 대해서는 새삼스럽게 말씀을 드릴 필요는 없을 것입니다. 石弘光 총장은 키가 그렇게 큰 분은 아닙니다만 실제로 재정학 분야에 있어서는 거인이며 일본의 리처드 머스그레이브라고 말할 만한 분입니다.

石弘光 총장께서는 저명한 재정학자로서 대단히 많은 저서와 논문을 발표하신 바 있으며 훌륭한 제자들도 많이 배출하셨습니다. 한국에서도 石弘光 총장님의 제자들이 여러 명 활동하고 있습니다. 잘 아시는 대로 石弘光 총장님은 현재 명문 히토츠바시 대학의 총장으로 봉직하고 계시며 일본 정부 최고의 조세정책 자문기구인 일본 세제조사회의 회장직을 맡고 계십니다.

오늘은 일본 세제조사회의가 건의한 일본의 세제개편방향을 중심으로 발표를 하실 것입니다.

○ 토론: 全周省 / 이화여대 교수

이 논문은 일본정부의 조세개혁관련 위원회에서 여러 달 동안 연구한 내용을 담고 있습니다. 일본의 저명한 조세학자들이 관여하여 만든 제안이라 배울 것도 많았고, 또 유사한 조세 문제들을 가지고 있는 한국에 대해서도 시사점이 적지 않다고 봅니다.

이 논문은 크게 전반적인 조세개혁의 전략과 각 조세베이스별 개선방안의 두 부분으로 나뉘어져 있습니다. 저는, 우선 개별 항목에 대한 몇 가지 질문을 드리고, 전반적인 조세개혁 과제에 대해서 언급하겠습니다.

논문에 나타난 일본 조세개혁의 기본 방향은 과세베이스 확충과, 세율 삭감이라는 익숙한 명제로서, 개인소득, 법인소득, 소비 등 주요 베이스에 공통적으로 해당되고 있습니다. 이 기본 방향에 대한 이견은 없습디만 구체적인 개혁 명분에 대해서는 다소 의문이 있습니다.

우선, 개인소득세 개혁 방안 중 가정주부의 일반 공제 및 특별 공제가 이들의 근로의욕을 저하시키므로 폐지되어야 한다고 했는데, 이 부분의 실증적 논거가 쉽게 납득되지 않습니다. 일본의 가정주부들이 일을 하지 않는 이유가 과연 가계소득에 부과되는 공제 혜택 때문이라고 보는 것은 좀 강한 명제가 아닌가 싶습니다. 이들에게 공제 삭제로 세금을 올렸을 때, 과연 이들이 거리로 뛰쳐나가 “이제 근로의욕이 더 생겼으니 행복하다” 라고 외칠지 궁금합니다. 비효율 감소나 세수증대의 다른 이유로 공제를 정비하는 것은 이해할 수 있지만, 인센티브 효과에 대한 판단은 좀더 납득할 만한 실증적 근거가 필요하다고 봅니다. 기타 연금소득이나 노인 공제의 문제도 같은 식의 논평이 가능하다고 봅니다.

개인소득세와 관련된 또 다른 질문은, 소득 계층간의 유효세율 평준화 경향이 자칫 상대적으로 저축성향이 높은 고소득자에게는 세금 삭감을, 소비성향이 높은 중산층에게는 세금 인상효과를 가져올 수 있다는 것입니다. 이는, 수요 진작이 필요한 일본 경제에 큰 도움이 되지 않는다는 문제점이 있습니다.

기업과세의 경우, 지방정부의 과세에서 이윤 대신에 자산에 근거하여 과세를 한다는 제안이 있는데, 저의 생각으로는 이는 통상 재산세를 둘러싼 귀착논쟁과 비슷한 문제를 제기할 수 있다고 봅니다. 논문의 설명이 자세하지 않아 모르겠지만, 전 지역에 균등한 세율을 부과한다는 것인지, 이러한 제도가 기업의 지역간 이동을 초래할 가능성을 고려했는지 등등의 과세 근거에 대해 설명이 더 필요한 것 같습니다.

소비과세의 경우, 역진적이라는 전통적인 비판은 다소 완화된 상태입니

다. 무엇보다 소득과세의 누진율이 약해졌고, 또 소비가 소득보다 정확한
담세능력의 측정치라는 논리도 가능하겠지요. 다만, 소비과세는 저축을 증
가시키게 되므로 자연 현재의 일본 경제에 도움이 되지 않을 수 있다는 점
이 있습니다. 아울러, 일본의 부가가치세 간소화 기준이 매우 높고, 세율은
매우 낮다는 문제도 시정될 여지가 크다고 봅니다.

논문에서는 언급되지 않았지만, 자본소득과세의 경우 이자소득이나 자본
이득에 비해 배당금이 높게 과세되는 경향은 자본배분의 왜곡과 주식시장
발달의 억제를 가져오므로 시정되어야 할 부분이라고 생각합니다. 또한, 이
모든 조세개혁이 세입에 대해 중립적인지도 묻고 싶습니다.

나아가, 조세개혁은 이해 관계 그룹의 동의를 얻는 것이 매우 중요합니
다. 결코 선진적이라 하기 힘든 일본의 정치 체계와 관료 체계를 고려할 때
조세개혁이 현실화되기 위해서는 이론적 설득 이상의 노력이 필요하다고
봅니다.

○ 토론: 劉佐(중국 국가세무총국 세수과학연구소 부소장)

일본의 세제개혁과 관련해서 10년에서 15년을 바라보고 개혁을 추진한다
고 하셨는데 아주 미래지향적이라고 생각을 합니다.

논문에서 지적하신 일본 세제개혁의 두 가지 목표 즉, 세제와 사회경제구
조의 적합성 문제 그리고 정부를 위해 안정적인 재원을 마련하는 이 두 가
지는 매우 중요하다고 생각합니다. 이것을 전제로 일본경제의 여러 가지 면
을 종합해서 세금을 늘려야 한다고 하셨는데 공감합니다. 하지만 우려되는
것은 일본경제가 불경기인 상황에서 일본 국민들이 그 많은 세부담을 감당
할 수 있느냐 하는 것입니다. 증가한 세부담은 일본경제에 더욱 부담을 줄
수도 있을 것입니다. 또한 개혁에 있어서는 국내의 상황은 물론 국제정세의
변화도 감안해야 합니다.

정부지출의 삭감과 행정관리의 개혁이 바로 세제개혁의 필연적인 요구라

고 하셨는데 좋은 말씀이라고 생각합니다. 만약 세제개혁만 강조하고 다른 개혁을 소홀히 한다면 이러한 세제개혁도 올바른 방향으로 추진되지 못할 것입니다.

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○ 답변: 石弘光(일본 一橋大 총장, 일본정부 세제조사회 회장)

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문에 자세히 설명하기는 어렵습니다만 상상을 해 보겠습니다.

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Economic Globalization and Chinese Tax Reform

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I. Introduction

Economic globalization is doomed to be a mainstream in the beginning of this century. Economic globalization refers to the trend that, according to the current technology and the requirement of optimal resources arrangement, economic activities should be carried out on the global level, including trade globalization, globalization in production, globalization in movements of productive factors, financial globalization, and information globalization. The world economic activities consist of increased cross- nation flows of a greater variety of goods and services, more extensive cross-border flows of short-term and long-term capitals, and an increasingly dense and complex transnational production network involving multinational corporations as well as independent supplier enterprises. At present, the WTO, as a representative of multilateral trade system, is an important manifestation of the economic globalization. The process for more than 50 years from the GATT to the WTO is also the process of economic globalization. The WTO has developed from a multinational commodity trade organization to "the Economic United Nations". It deals with many aspects of economic and trade globalization, for example, commodity trade, services trade, intellectual property rights about trade, trade policy investigation, and dispute settlement system, legal transparency, and sustainable development. We should say that economic globalization not only offers opportunities for developed countries to expand their markets, but also offers opportunities for developing countries to develop their economies. In the process of this economic globalization, China should actively reform and improve its current tax system and tax policies.

II. The Changes of Environment and Tax Policies

1. The Changes in Domestic Economy and Tax Policies

In 1998, the Chinese economy faced with severe challenges from international and domestic environments. In the international aspect, the Asian financial crisis led to lower economic growth rates and trade volumes of many countries, and also restricted the Chinese exports. In the domestic aspect, the relationship between demand and supply suffered a big change from a sellers' market to a buyers' market. The domestic demand shortage slowed down the GDP growth rate. In order to solve the domestic demand shortage and other problems, such as slowdown of exports, deflation, unemployment and etc., the Chinese government decided to introduce the active fiscal policy which was aimed to stimulate the domestic demand and promote GDP growth rate mainly through issuing a great deal of national debts. Meanwhile, government embarked economic restructuring by using a series of tax policies. All of those measures included: (1) increasing infrastructure expenditures by issuing national debt; (2) replenishing the capitals of wholly state-owned commercial banks, peeling off their bad debts; (3) promoting tax refund rate of some commodities in order to support exports; (4) adjusting import tax policies related to equipments; (5) continuing to change partial administrative charges to taxes in order to lighten the burden of enterprises and society; (6) increasing expenditure to a large extent on social security and disaster relief; (7) adjusting

income redistribution policy, stimulating consumption expenditures; (8) examining the tax policies that were carried out in the period of the sellers' market in order to restrict investment and consumption; (9) levying interest tax on individual savings, and (10) carrying out the policy of converting debts into equities.

Through the above measures, China's economic situation got an obvious upturn. Especially, with the rapid recovery of the Asian economy and the world economy, external influence on domestic demand shortage in China was weakened. So the investment, the consumption and the net exports came into normal increasing tracks. According to the estimation of the National Bureau of Statistics, the active fiscal policy stimulated GDP growth by 1.5 percent in 1998, by 2 percent in 1999, by 1.7 percent in 2000.

As an important part of the active fiscal policy, tax policy underwent a series of changes in order to adapt to the economic development, mainly listed below:

- (1) Tax policies to encourage investment. There were mainly two measures. One is that in the second half of 1999, taxes on fixed assets investment was cut by half, and suspended from Jan.1, 2000. The other is that the equipment investments of enterprises can offset the corporate income tax.
- (2) Tax policies to stimulate exports. From 1998 to 1999, China had promoted export tax drawback rate several times and the average rate was up to over 15% to encourage the competitiveness of the Chinese exports
- (3) To encourage investment and consumption, and to increase fiscal revenue for the requirement of social security expenditure, the central government decided to levy again on the individual interest revenue of bank savings from November 1, 1999.
- (4) To turn the administrative charges into taxes in rural areas in order to relieve the burden on peasants.

- (5) Adjusting the tax policies in order to improve the consumption conditions. To reinvigorate the real estate market, the real estate tax was adjusted; and in order to lower the extremely high price of automobiles and to stimulate purchasing of automobiles, the government began to turn the various charges on transportation and vehicles into taxes.

2. Economic Globalization and Chinese Tax Policy Adjustment

Economic globalization has three aspects: (1) trade liberalization. It includes continuous lowering tariff rates and abolishing gradually non-tariff barriers among countries; (2) Financial internationalization. It means the formation of all kinds of international financial market and the development of all kinds of international financial institutions, and (3) Cross-border production. The increase of global investment by transnational corporations led to the development of the international division of labor. The countries adapting to more global economic activities will obtain better conditions of development, such as a new market and more resources.

China eventually entered the WTO with a great deal of efforts during 15 years. In fact, to enter the WTO is to adapt to the currents of economic globalization for China. It is an important stratagem to cope with challenges from the economic globalization.

After entering the WTO, Chinese tax policies must fit in with the tax principles of the WTO. In order to do this, China should adjust the present tax policies accordingly. In the adjustment process, we must follow the basic WTO principles, such as the most favored nation treatment, the national treatment, the anti-subsidy principle, transparent and predictable principle, the special and different principle, etc.

The government plans to push, step by step, the VAT transformation from the production VAT to the consumption VAT in order to encourage investment incentives of enterprises. The government plans to improve the tax drawback system continually. Combined with the VAT transformation, the government plans to raise the rate of tax drawback step by step and eventually levy the VAT tax on a zero rate for exports.

The government plans to eliminate the difference in corporation income tax rate between domestic and foreign companies on the basis of the principle of national treatment, and mainly to treat without discrimination the standards of tax deduction and exemption. On the preferential tax policies, the difference between them should be diminished step by step. In the future, we should gradually establish the industrially and regionally coordinated preferential tax policies.

The government plans to establish a tax system gradually with the function to improve income distribution, including the individual income tax, the estate tax, the gift tax, and the social security tax, in order to reduce the burden on individuals with lower and middle income, and increase the burden on the individuals with higher income.

The government plans to establish some tariff protection measures to control some imports with the anti-dumping and anti-subsidy policies which are allowed by the WTO.

3. IT and Tax Policies

IT is the most important technical revolution in the twentieth century. The continuous development and industrialization of IT brought about a series of birth and changes of related industries, changes in the quantities and ratios of

productive inputs, and changes in the production organization, the management modal, etc. Based on those revolutions, many countries, especially the developing countries, are restructuring their economies.

As a new industry, the development of IT industry in developing countries requires to solve many bindings and obstacles. In order to improve the innovative competitiveness of IT industry, our country offered some preferential tax policies to the enterprises in the area of software development. The newly established software companies, from the first year of earning, may enjoy the tax-exempt for the first two years, and the tax-exempt by half for the next three years. Additionally, the wages and training cost of software companies can be deducted from the taxable profit. The imported equipments for their own use and the technologies and parts except for the goods stipulated by [*A list of imported goods which tariff is levied on in the foreign investment programs*] can be free from tariff and imported VAT. The acquisition cost of imported software, which meet the standards of fixed assets or intangible assets, can be accounted as fixed assets or intangible assets. The depreciable life of those assets can be reduced after the permission of the Tax Bureaus, but the shortest limit is 2 years.

4. Aging Society and Social Security

Aging trend is becoming a significant problem in the current world. The increase of the retired people, the prolonging of life span, and the declining of birth rate, all contribute to aggravate the burden on the society. According to the report from a meeting of the national aging committee, held in Beijing on March 17 in 2002, currently Chinese citizens over 60 years old amount to 132 million, and number of those people increases at the rate of 3.2% per year. The

government has paid more and more attention on the aging trend and the social problems deriving from it.

Social security system can enable workers and other people to get help from government or other social institutions when they face the living difficulties, such as oldness, illness, unemployment, etc. From 1980's, China gradually established retirement insurance, unemployment insurance, medical care insurance, occupational accident insurance, and breeding insurance. But the present social security system cannot be adept to the need of development. There a series of problems should be solved, such as the unsoundness of system, lack of collection means, bad management, leakage of expenditures, and blurred responsibility between central government and local government, etc. Thereby, China should introduce social security tax in order to improve social security system. In recent years, there were 15 provinces, municipalities, and autonomous regions that have collected social security fees under the control of local tax bureaus. This would offer a good experience for establishing the social security tax.

III. The Direction of the Tax System Reform

1. Tax Revenues after 1978

A. The Rapid Growth of Tax Revenue since 1978.

China tax revenues have grown rapidly, from 51.928 billion Yuan in 1978 up to 425.530 billion Yuan in 1993. The tax revenues increased by 720% and the average annual growth rate was 15.1%. Tax revenues were 1517.207 billion Yuan in 2001, increased by 260% comparing with that of 1993, and the average annual growth rate was 17.2%. That is the most rapid growth rate after 1998 (see table 1).

From 1998 to 2001, the total tax revenues amounted to 4,723.7 billion Yuan, equaled an 80% of the total amount from 1949 to 1997, and a 180% of that from 1994 to 1997. There are three main factors that contributed to the rapid growth rate of the tax revenues (see table 2).

<Table 1> Tax Revenues and Its Ratio to GDP

(Unit : Billion Yuan, %)

<i>Year</i>	<i>Tax revenue</i>	<i>Fiscal revenue</i>	<i>GDP</i>	<i>Tax revenue/fiscal revenue</i>	<i>Tax revenue/GDP</i>
1978	51.928	113.226	362.410	45.86	14.33
1979	53.782	114.638	403.820	46.91	13.32
1980	57.170	115.993	451.780	49.29	12.65
1981	62.989	117.579	486.240	53.57	12.95
1982	70.002	121.233	529.470	57.74	13.22
1983	77.559	136.695	593.450	56.74	13.07
1984	94.735	164.286	717.100	57.66	13.21
1985	204.079	200.482	896.440	101.79	22.77
1986	209.073	212.201	1020.220	98.53	20.49
1987	214.036	219.935	1196.250	97.32	17.89
1988	239.047	235.724	1492.830	101.41	16.01
1989	272.740	266.490	1690.920	102.35	16.13
1990	282.186	293.710	1854.790	96.08	15.21
1991	299.017	314.948	2161.780	94.94	13.83
1992	312.155	348.337	2663.810	89.61	11.72
1993	425.530	434.895	3463.440	97.85	12.29
1994	512.688	521.810	4657.940	98.25	10.96
1995	603.804	624.220	5847.810	96.73	10.33
1996	690.982	704.799	6788.460	93.28	10.17
1997	823.404	865.114	7446.260	95.18	11.06
1998	926.280	987.595	7834.520	93.79	11.82
1999	1068.258	1144.408	8206.750	93.36	13.02
2000	1258.151	1339.523	8940.360	93.93	14.07
2001	1517.207	1637.100	9593.300	92.68	15.82

Note: 1. Both domestic and foreign debts are excluded in this table.

2. The data of 2001 come from "The Government Work Report" made by Prime minister Zhu Rong Ji and from "REPORT ON THE IMPLEMENTATION OF THE CENTRAL AND LOCAL BUDGETS ON 2001 AND THE DRAFT BUDGET OF THE CENTRAL AND LOCAL GOVERNMENT ON 2002" made by Finance Minister Xiang Huaicheng

Sources: *Finance Year Book of China 2001*.

<Table 2> Growth Factors of Tax Revenues 1998~2001

(Unit: Billion Yuan, %)

Items	1998		1999		2000		2001	
	Increased amount	Ratio %	Increased amount	Ratio %	Increased amount	Ratio %	Increased amount	Ratio %
Total	100.3	100.0	122.0	100.0	234.9	100.0	251.1	100.0
Economic factor	31.7	31.6	80.7	66.1	155.3	66.1	123.1	49.0
Policy factor	23.6	23.5	0	0	49.6	21.1	63.0	25.1
Levy management factor	45.0	44.9	41.3	33.8	30.0	12.8	65.0	25.9

Sources : *Quarterly Report on China tax revenues*, the first quarter in 2002.

Because the growth rate has continuously maintained over 7%, the main source of growth of tax revenue is the economic factor. It can be explained as follows:

(1) The three main factors contributing to the growth of tax revenue in 1998 are separated by 31.6%, 23.6%, and 45.0%.

- i. Economic factor contributed to tax increase in 1998 by 31.7 billion Yuan, roughly 30% of the total increase of that year.
- ii. There were mainly three tax policies that contributed to the increase: the first policy was to decline the VAT deduction rate relating to transport costs from 10% to 7%; the second was to improve the VAT relating to small-scale commercial companies, and the third was to

rigidly control tax credit relating to companies' initial inventory. The first factor and second factor increased tax revenues by 3.0 billion Yuan, the last one cut down the tax credit amount by 12.6 billion Yuan. In addition, improving sales tax rate relating to financial and insurance agencies in 1997 increased some new tax revenues for 1998. All those added up to 23.6 billion Yuan, 20% of the total increase in 1998.

- iii. From factors of tax collection and administration management, in 1998, clearing tax arrearage contributed the increase by 27.5 billion Yuan, and examining and blocking up collection leak contributed the increase by 17.6 billion Yuan, etc. Those amounted to 45.0 billion Yuan, 50% of the total increase in 1998.

(2) The three main factors contributing to the tax increase in 1999 are separated as 66.1%, 0%, and 33.8 %.

- i. From the economic factor, the tax revenues were increased by 80.7 million Yuan, 2/3 of the total increase in 1999.
- ii. From the policy consideration, the main increase came from the policies made in 1998, such as the VAT deduction rate relating to transportation costs, the VAT policy relating to small-scale commercial companies. The two factors contributed increase in tax revenues of 1999 by 3.0 billion Yuan. Individual income tax has been levied again on the interest of bank savings since November 1 in 1999. The tax revenues were increased from this by only 0.1 billion Yuan. In addition, the tax credit relating to companies' initial inventory contributed the decrease by 4.5 million. In general, policies did not contribute to the tax increase in 1999.

- iii. From the side of tax collection and administrative management, clearing tax arrearage increased revenues by 10.0 billion Yuan. And more tax revenues were obtained through strengthening tax levy. In general, strengthening tax collection and administrative management increased revenues by over 40 million, over 30% of the total increase of that year.

(3) The three main factors contributing to the tax increase in 2000 are separated as 66.1%, 21.1%, and 12.8%.

- i. From economic factor, 155.3 billion Yuan tax revenues were increased in 2000, a 70% of the total increase in 2000.
- ii. The policy factors increased lots of revenues, including: individual income tax on the interest of bank savings increased by 14.9 million; 12.5 billion tax revenues were increased by adjusting and abolishing preferential tax policies relating to foreign funded enterprises, Chinese-foreign joint venture enterprises and cooperative enterprises, and the firms run by schools; the tax credit relating to companies' initial inventory lowered the revenues by 8.6 million Yuan; suspending the fixed assets investment direction regulation tax declined revenues by 8.4 billion Yuan. So the net increase amounted to 27.6 billion Yuan. In addition, the increase of the oil price increased revenues by 20 billion Yuan. That was a casual factor. In 2000, all those policies contributed to the increase up to 50 billion Yuan, 20% of the total increase of that year.
- iii. From the side of tax collection and administrative management, the Tax Bureaus increased the construction of the "golden tax program",

and further strengthened tax collections. Those increased revenues by 30 billion Yuan, 10% of the total increase in 2000.

(4) The three main factors contributing to the tax increase in 2001 are separated 49.0%, 25.1%, and 25.9%.

- i. The economic factor contributed 50% out of the total growth in 2001
- ii. Policies contributed 52 billion increases in 2001. The relevant factors are listed as follows: vehicle acquisition tax increased revenues by 25.5 billion Yuan; adjusting the preferential tax policies about old foreign companies increased revenues by 6 billion Yuan; the tax credit relating to initial inventory of companies, and adjusting consumption tax relating to tobacco and liquor increased revenues by 7.5 billion Yuan. Other policies, such as reducing the business tax rate of financial and insurance agencies, stamp tax rate relating to securities, tax preferential policies to encourage technical renewal of enterprises and the development of western China, caused tax revenues to decline by 10 billion Yuan. So the net increase amounted to 42 billion Yuan. In addition, the revenues were increased by clearing up the corporation income tax of the last year and by other special policies by 20 billion Yuan. To sum up, the policy factor increased the net tax revenues by 60 billion Yuan, 25% of the total increase in 2001.
- iii. From the side of tax collection and administrative management, together with the second stage of “golden tax program”, tax collection got remarkable development. From July 1 in 2001, there were four electric systems established, which were helpful to improve tax collection efficiency. The total increase amounted to 65 billion Yuan

under the tax collection strengthened, 25% of the total increase in 2001.

B. The Changes in Tax Revenue Structure

After the tax system reform in 1994, the structure of tax revenue changed a great deal. In 1994, revenues from turnover tax and income tax added up to 422.63 billion Yuan, 82.43% of the total tax revenues. In 1998, the revenues from them were 739.57 billion Yuan, 79.8% of the total tax revenues. In 2000, that was up to 971 billion Yuan, 77.2% of the total. Among the turnover tax, VAT took the highest ratio. For example, the ratio of VAT revenues to the total tax revenues was 45.02% in 1994, 39.17% in 1998, and 35.87% in 2000. Other taxes (including tariff and agriculture tax) had a small ratio to the total tax revenues as 17.6% in 1994, 20.2% in 1998, and 22.8% in 2000. More details are listed in table 3.

<Table 3> The Structure of Tax Revenues

(Unit: Billion Yuan, %)

	1994		1998		2000	
	Amount	ratio	Amount	ratio	Amount	ratio
Total tax revenues	512.688	100	926.280	100	1258.151	100
Turnover tax	346.576	67.60	601.847	64.97	728.024	57.86
Including :						
VAT	230.834	45.02	362.846	39.17	454.317	35.87
Business tax	67.002	13.07	157.508	17.00	186.878	14.85
Consumption tax	48.740	9.51	81.493	8.80	85.829	6.82
Income tax	76.052	14.83	137.726	14.87	242.977	19.31
Including :						
Domestic corporation income tax	63.972	12.48	85.627	9.24	144.306	11.47
Foreign corporation income tax	4.813	0.93	18.249	1.98	32.633	2.59
Individual income tax	7.267	1.42	33.850	3.65	66.038	5.25
Tariff	27.268	5.32	31.304	3.38	75.048	5.96
Agriculture tax	23.149	4.52	39.880	4.31	46.531	3.70
Others	39.643	7.73	115.523	12.47	165.571	13.17

Sources : *Finance Year Book of China 2001*.

2. The Tax Reform after the Open Policy

After 1978, the speed of reform and opening to the outside world was increased more and more quickly. In order to fit the new situation, Chinese tax system undertook a series of reforms and improvements. During the past

twenty years, our tax system reforms had undergone mainly two stages: the first was from late 1970s to the beginning of 1990s; the second was after 1994. At the first stage, the main task of the tax system reform was to break the original tax system, and to establish a new tax system that adapt to the new situation. The main task of the second stage was to consolidate and to improve the new tax system, and to adjust some tax policies.

A. The Tax Reform : Late 1970s - Early 1990s

Before 1979, under the traditional economic system, Chinese tax system was very simple. Especially after the tax reform in 1973, it was nearly a single tax system. At that time, besides tariff and the agriculture Tax, the SOEs should only pay the consolidated industry and commerce tax, and collectively owned enterprises should pay the consolidated industry and commerce tax and the industrial and commercial income tax. As for those non-enterprise units, though they should pay more taxes, such as the slaughter tax, the domestic animal trade tax, the fair trade tax, the urban housing and land tax, the vehicle and vessel license tax, etc. But all these taxes were nearly suspended. Because the tax system is too simple, the functions of taxes had not been exerted.

In 1980s, there were great changes occurring in the Chinese economy, and multiple economic sectors and multiple patterns of management coexisted. Under the new situation, the original single tax system narrowed the levy scope, caused unfair on tax burden, and so on. In order to fit the new conditions, Chinese government made a reform on the tax system, gradually established the income tax system, and adjusted the industry and commerce tax system, strengthened the adjustment function of the tax on economy, social distribution, and so on. The main measures are as the followings:

(1) Establishing Corporation and Individual Income Tax System.

Since June 1, 1983, according to the principle of separating the function of managing the state owned assets from the function of managing the society, the Chinese government levied the corporation income tax at the rate of 55% from stated-owned enterprises instead of collecting profits. In succession, China introduced the adjustment tax on state owned enterprises, the corporation income tax on collectivity owned enterprises and private enterprises. Those reforms broke the original unified state control over the income and expenditure of enterprises, and established a new legal relationship between state and enterprises instead of the administrative relationship. Simultaneously, in order to improve the policy of adjusting individual incomes, government also introduced the individual income tax, the individual income adjustment tax, and the income tax on urban and rural individuals dealing in industry and commerce.

(2) Completely Reforming the Industrial and Commercial Tax System.

The main problems after the reform on turning profit-handing into taxes collection were as the follows: 1) the tax categories were still too simple, so the role of taxes on adjusting the economy cannot work adequately; 2) the distribution method after tax was still complicated, and the distribution relationship between the state and enterprises was still not standardized; 3) the problem that the profit was quite different among some enterprises was still not resolved. Therefore, the government was determined to reform the industry and commerce tax system completely in 1984. The guidelines of the reform were: 1) to improve the relationship between the state and enterprises, to resolve the

problem of inequality among enterprises, not only to ensure the stable increase of the fiscal income, but also ensure the autonomous right and the financial power of enterprises to develop their business; 2) by making full use of the adjustment function of tax as a policy tool, to embody the encouraging and confining policy, and to alleviate the contradiction caused by the unreasonable prices, consequently promoting the national economic regulations and reforms. The reforms covered: the profits of the state owned enterprises that should pay to the state were handed through 11 categories of taxes, and the profits after taxes can be arranged by the enterprises autonomously. Thus, the former industry and commerce tax levied at the turnover circulation was divided into the product tax, the business tax, the VAT and the salt tax in order to let them have a special adjustment role in different economic fields. Especially, implementing the VAT resolved the double taxation problem quite well, provided a fair precondition for enterprises to compete with each other, developed horizontal economic combination, and improved the industry structure. The special product tax was levied on wines and tobaccos. Furthermore, other categories of tax were introduced, which included the natural resource tax, the urban maintenance and construction tax, the urban land use tax, the special tax on oil burning, the investment direction adjustment tax on the fixed assets, the bonus tax on state-owned enterprises, the wage adjustment tax on state-owned enterprises, the bonus tax on collective enterprises, the bonus tax on administrative units and institutions, the stamp tax, the banquet tax, and so on.

(3) Establishing and Improving the Foreign-Related Tax System.

In order to implement the policy of opening to the outside society efficiently, *Income tax law of People's Republic of China for foreign funded enterprises and Individual income tax law of People's Republic of China* were enacted by the National People's Congress in September 1980. *Corporation Income Tax Law of People's Republic of China for foreign enterprises* was enacted in 1981. Meanwhile, the productions that foreign funded enterprises produced and imported and the running activities of those enterprises were administrated by the *industrial and commercial consolidated tax law of People's Republic of China (draft)* enacted in 1958, the vehicle license tax was levied on the vehicles which are purchased and used by those enterprises, the urban real estate tax was levied for those enterprises, and a series of foreign-related tax system were established primarily. In 1991, in order to improve the Income Tax system, the standing committee of the National People's Congress examined and passed *the Corporation Income tax law of People's Republic of China for foreign funded enterprises and state-owned enterprises*, meanwhile, *the Corporation Income tax law for joined venture enterprises* and *the Corporation Income Tax law for foreign enterprises* were abolished.

Foreign-related tax system was established through summarizing the Chinese tax experiences, learning from international practices and combining with the new domestic economic circumstances. At the precondition of protecting the state benefits, the new tax system had the characteristics of lighter tax burdens, wider tax privileges, more simple procedures and equal treatment.

(4) Restoring and Strengthening the Tariff System.

In order to implement the out-door policy, develop international trade and enlarge the international cooperation, the goods that international trade companies imported was levied only on tariff from January 1, 1980. *The custom law of People's Republic of China* was approved by the standing committee of the National People's Congress in January 22, 1987. The provisions about tariff in the custom law included:

- i. The custom offices levy on the allowed imported goods and exported goods according to the *tax rules on imports and exports* except that there was the other regulation in *the Custom Law*.
- ii. The receiver of imports, the consigner for exported goods and the owner of in-out border goods are all the obligators to pay tariff.
- iii. The custom offices would collect the fine for the delayed payment if the obligor does not pay on time; if the payment is overdue more than 3 months, the custom offices can oblige the warrantor to pay the tariff or offset the payment by goods, and if necessary, the custom offices can inform the bank to draw the tariff from the warrantor's or the obligor's deposits.
- iv. The taxable price of the imported goods is the normal CIF price censored by the custom offices, and the taxable price of the exported goods is the normal free on board price censored by the custom offices.
- v. The imports, exports and the in-out border materials enjoy the tariff exemption and reduction.

Regulation of the People's Republic of China on import and export tariff enacted in March, 1985 was revised by the State Council in September, 1987, then it was put into effect in October 15 of that year. The regulation stated that

all the import and export goods allowed by the People's Republic of China should be levied on import tariff or export tariff except for other regulations according to the *tax rules on imports and exports*. According to the principles of equity and mutual benefits, the rate of import tax was divided into a normal rate and a minimum rate to encourage the development of direct trades. The imported goods from countries that have not signed a mutual benefits trade treaty or agreement with China enjoy the minimum rate.

(5) Restoring and Improving the Agriculture Tax System

As the emergence and development of the household contract responsibility system with remuneration linked to output after 1979, the agriculture tax system was properly reformed and improved. The agriculture tax was reformed about property to levy, method to levy, and etc. Tax exemption and reduction policy for provinces in pasture areas was adjusted. The agriculture and forest specialty tax and the cultivated land occupation tax were introduced, and the contract tax policy was adjusted and improved.

Furthermore, tax administration reform was sped up in China. The system that separated levy, administration and examining respectively was executed. And the system that taxpayers declared initiatively and the system that tax officers levied taxes openly was executed too. Meanwhile, a great progress about tax organization had been made. The vertical structure of administration system was established. The staffs of taxation bureaus increased to 500 million. All those had a good effect on implementing the task of tax collection.

Through the above tax reforms, before 1994, a set of single tax system adapted to the original planning economy was changed into a tax system with multi-category, multi-link, and multi-level and a system based on the turnover

Tax and the income tax. The category of taxes had increased from 13 before reform to 37, which were the product tax, the VAT, the business tax, the urban maintenance and construction tax, the special consumption tax, the income tax on state-owned enterprises, the adjustment tax on state-owned enterprises, the income tax on collective enterprises, the income tax on private enterprises, the income tax on urban and rural individuals dealing in industry and commerce, the individual income adjustment tax, the natural resource tax, the salt tax, the urban land tax, the fixed assets investment direction adjustment tax, the special tax on oil burning, and etc.

B. Tax Reform in 1994

(1) The Basic Principles of the Tax Reform in 1994

- i. Stimulating the enthusiasm of both central and local governments and strengthening the macro-regulation ability of the central government. In order to institute a system of distributing tax revenues and to stipulate the distribution relationship between the central and the local governments, the government adjusted the tax system, so divided categories more reasonably, and determined the tax rate. The proportion of tax revenues against GDP should increase gradually, and the proportion of fiscal incomes of the central government against that of local government should be determined reasonably.
- ii. The role of tax to adjust the deference of individual incomes and economic development between different areas should be exerted to promote the harmonious development of economy and society and achieve common wealth.

- iii. Tax burden should be equal, and fair competition among various types of enterprises should be promoted.
- iv. The reforms should embody the requirements of the national industry policy, should promote the adjustment of economy structure, promote the sustainable, fast, and sound development of the national economy, and increase the total economic efficiency.
- v. The tax system should be simplified and standardized, and the categories of taxes that are not satisfied with the development of economy should be abolished. The overlapping categories of taxes should be merged, and some new categories of taxes should be introduced in order to make the tax system simplified and efficient. Learning from international practices, the integrity of the tax system was protected in order to maintain the unification and solemnity of the tax law.

(2) The Contents of the Tax Reform in 1994

According to the aim of establishing the system of socialist market economy, a unified, open and equally competitive market need to be set up, and accordingly, an equal, reasonable, and ruled by legal tax system should be established.

a) Turnover Tax Reforms

According to the principle of embodying equity, neutrality, transparency and universality, the government maintained the gross tax burden. In addition, by learning from international common practices, the government changed the

traditional practice that different rates of the turnover tax were designed according to products into the pattern that the VAT was imposed on products at both production and transaction stages. And the consumption tax was levied on a few selected products, and the business tax was levied on service supply, intangible assets transfer and selling real estates. The turnover tax system after the reform was composed of the VAT, the consumption tax and the business tax, and the same rate was used between domestic and foreign funded enterprises.

b) Income Tax System Reform

Income tax system reforms included the reforms on the corporation income tax and the individual income tax. The corporation income tax aimed at harmonizing and improving the relationship between the state and enterprises in distributing profits, and also aimed at creating an equal competitive condition among all kinds of enterprises. The main contents of the reform included abolishing the practice that the Income Tax was different among enterprises with different ownership. The goal of the Individual Income Tax was more taxes on the people with higher income, less or no taxes on the people with lower income, and the reform embodied the principle that the burden of taxpayers would not be increased and the average tax burden would be decreased. The Individual Income Adjustment Tax, the Individual Income for foreigners, the Income Tax for urban and rural individuals dealing in industry and commerce were merged into a unified individual income tax system.

c) Other Industrial and Commercial Tax System Reform

- i. The scope of natural resource tax was enlarged.
- ii. Land appreciation tax was introduced to adjust appropriately the exorbitant profit from the transaction of real estates;
- iii. Some other items of taxes were adjusted, for example, repealing the market transaction tax, livestock transaction tax, special tax on oil burning, bonus tax and wage adjustment tax. Special consumption merged into consumption tax. Salt tax merged into natural resource tax. And the right of levying or stopping levying was transferred to local government.

d) Agricultural Tax System Reform

The key point of the agricultural tax system was agricultural specialty tax. In order to further adopt the reality of developing agriculture, forestry, animal husbandry and aquatic production and to embody the requirements of tax-shared system completely, strengthen the effect of VAT, the original agriculture and forest specialty tax, original product tax and item of tax of agriculture, forestry, animal husbandry and aquatic product merged into agriculture tax on agriculture specialty (in brief, agriculture specialty tax), through this, the tax scope was enlarged, tax rate for some products lowered moderately, the tax exemption and reduction were defined more clearly, and the taxpayer for withholding tax also was defined.

e) Tax Administration System Reform

Tax administration system reform aimed at transforming the loose and backward administration system completely, and establishing scientific, tight tax administration system, by ensuring that tax law was implemented smoothly and normal tax order was established. The main content was:

- i. To establish common declaration of tax returns system;
- ii. To promote the tax agency actively;
- iii. To speed up the tax administration by computer;
- iv. To establish the severe tax check system.
- v. To set up central government tax authorities and local government tax authorities in order to satisfy with the request of tax-shared system.
- vi. To strengthen the legal tax system, establish gradually the mechanism that legislating, judicature and executing of tax law were separated and restricted mutually.

The further improved profound tax system satisfied the development of socialist market economy had been established in China after the tax reform in 1994. The amount of category of taxes decreased from 37 to 23, such as VAT, consumption tax, business tax, natural resource tax enterprises income tax, income tax on enterprises with foreign investment and foreign enterprises, individual income tax, urban maintenance and construction tax, house tax, urban real estate tax, vehicle use tax, vehicle license tax, vessel tonnage tax, land appreciation tax, urban land tax, stamp tax, fixed assets investment direction adjustment tax, slaughter tax, banquet tax, tariff, agriculture (animal husbandry) tax (including agriculture specialty tax), cultivated land occupation tax, contract tax. Thus the tax system was more simplified, tax structure was

more reasonable, tax burden was more equal, and the function of taxation to collect fiscal revenues and to adjust macro-economy were improved.

(3) Adjustment and Improvement of Tax after the Reform

In order to consolidate and improve the new tax system, some tax policies were adjusted necessarily in succession according to both the development of national economy and the new condition that the tax system confronted since its establishment after 1994.

a) Adjustment of the VAT Policy.

- i. The measures to handle collected tax on beginning inventory. From May, 1995, collected tax on beginning inventory were treated as creditable tax by installment, the proportion of each year was 20% of balance of the collected tax on beginning inventory at the beginning of 1995 in 5 years from 1995.
- ii. VAT on the transportation cost paid by general payer of VAT and recycling materials purchased by general payer of VAT were allowed to be treated as creditable input tax on the reduction rate of 10% in 1994. The reduction rate for transport cost concerning VAT decreased from 10% to 7% from July 1, 1998.
- iii. The policy of refund after collection was implemented. For example, goods sold by the state-owned national trade enterprises at county level and supply and marketing cooperative at national trade county were refunded 50% of the actual payment as VAT after collection before the end of 2005.

- iv. The exemption and reduction policy of VAT was adjusted. The VAT on recycling materials purchased by the enterprises dealt in them were exempted from May 1, 2001; The VAT on materials donated by donator out of border used for poverty reduction or charity cause; The VAT on income of film sold by the film producing factory approved by the state council were exempted by the end of 2005; The VAT on fee collected by the water plants trusted by relevant departments of governments at all levels were exempted from May 1, 2001; The VAT on single staple feed, mixed feed, assorted feed, profound feed and concentrated feed produced by enterprises were exempted from August 1, 2001; The VAT on maintenance fee of rural power network charged along with the electricity by rural power administration were exempted from January 1, 1998; The VAT at stage of imports on potassium fertilizer, profound fertilizer, pesticide nostrum and original pesticide imported by national plan were exempted from January, 1998;
- v. The policy of refund at collection was implemented. From June 24, 2000 to the end of 2010, the software products sold by general payer of VAT which were produced by themselves levied at legal tax rate of 17%, then the part of VAT that exceeds 3% of the actual tax enjoys the refund at collection policy. The IC products sold by general payer of VAT which were produced by themselves levied at legal tax rate of 17%, then the part of VAT that exceeds 6% of the actual tax enjoys the refund at collection policy.

b) Adjustment of Consumption Tax Policy.

- i. From January 1, 1994, the stage of consumption tax on golden and silvery jewelry was changed from production stage to retailed stage, and its rate was adjusted from 10% to 5%.
- ii. From July 1, 1998, the rate of consumption tax on the first-class and imported cigarettes was elevated from 40% to 50%, and the rate of consumption tax on the fourth-class and fifth-class cigarettes and cigars was lowered from 40% to 25%.
- iii. From January 1, 1999, the item of gasoline in consumption tax was divided into lead gasoline and non-lead gasoline, and the tax rate for lead gasoline was adjusted from 0.20 Yuan per liter currently to 0.28 Yuan per liter.
- iv. From January 1, 1999, except that the fancy soap still enjoyed the tax rate of 5% by current provision, the rate of consumption tax on other skin and hair products such as toilet water, hair oil, hair cream, shampoo, etc. was lowered from 17% to 8% equally.

c) Adjustment of Business Tax Policy.

- i. Provision for exemption and reduction policy. From October 22, 2000, for road bridge, tunnel, ferry, and water gate which enjoys the loan from transportation and construction departments or financed according the national provision, all the fees for vehicle transiting the bridge/tunnel and for vessel transiting the ferry which were deposited in special fiscal account and administrated in the form that revenue and expenditure are separate were exempted from business tax;

The business tax on the income earned by non-independent accounting units attached to any railroad bureau from doing the railway repair business along to this bureau was exempted; The income from price differentials obtained by the fund manager through buying /selling the stocks and securities were exempted from business tax before the end of 2000. This privilege policy under the regulation of *notice on imposing tax on security investment fund* issued by Ministry of Finance and State General Administration was prolonged for 3 years, that is, until December 31, 2003. For sureties on non-profit small and medium-sized enterprises' credit and resurety-transaction agency, the business tax on its income from surety business was exempted in 3 years. When purchasing, accepting and disposing their bad assets, China Xinda Asset Management Corporation, China Huarong Asset Management Corporation, China Great Wall Asset Management Corporation and China Dongfang Asset Management corporation can enjoy the following tax preference policy: firstly, for the bad asset accepted by the asset management corporations from the related state-owned bank, if it and its interest was paid by the borrower in goods, real estate, intangible asset, valuable security and note, the business that the asset management corporations transfer such goods, real estate, intangible asset, valuable security and note or lease for goods and real estate was exempted from VAT and business tax. Secondly, the interest for the bad asset accepted by the asset management corporations from the related state-owned bank was exempted from business tax. Thirdly, for the investment consulting companies attached to the asset management corporations, the income from providing assets, evaluating the project and auditing service for

them to carry on, buy and dispose of bad assets was exempted from business tax. In order to alleviate the financing difficulty for small and medium-sized enterprises, the units such as enterprises governing department or the head company of the company group borrow from financial department, then transfer them to the units attached to them (including independent accounting unit and non-independent accounting unit), and collect the interest by the rate they pay financial department. This interest was exempted from business tax; From July 1, 2000, during the time that the department of foreign exchange administration manages the national foreign reserve, the interest income for foreign exchange loan collected by the financial agent trusted by them is exempted from business tax; For the grain circulating program financed by the loan of World Bank, business tax on construction installment and service income is exempted; The business tax on income collected by the unit issuing the film from unit showing the film is exempted.

- ii. Adjustment of the rate of business tax. From 2001, the rate of business tax on financial and insurance business decreased 1 % each year, and decreased from 8% to 5% in three years. Namely, from January 1, 2001 to December 31, 2001, the rate of business tax on financial and insurance business is 7%; from January 1, 2002 to December 31, 2001, the rate of business tax on financial and insurance business is 6%; from January 1, 2001 to December 31, 2001, the rate of business tax on financial and insurance business is 5%; From January 1, 2001 to December 31, 2002, the rural credit union was levied on business tax still by tax rate of 6%, among which 5% of the tax rate was collected by local taxation bureau and other 1% of the tax

rate was collected by state taxation bureau. From January 1, 2003, the rural credit union was levied on business tax still by tax rate of 5%, which was collected by local taxation bureau; From May 1, 2001, the business taxes on the entertainments industries such as, night club, Kala-ok roomballroom, shooting, hunting, horse race, game, golf, bowling, and billiards, etc., were collected by 20% uniformly.

d) Adjustment of the Income Tax Policy.

- i. Tax exemption and reduction policy. From January 1, 2001, any foreign enterprise which has no establishment or place in China but which derives interest, rent, royalties, and other income from source in China, or which, though it has an establishment or place in China derives such income and the income is not effectively connected with such establishment or place, shall pay the income tax at the reduced rate of 10%. The income tax on foreign investment enterprises in middle-west of China which were encouraged by the state shall levy still at the reduced rate of 15% after this preference policy was implemented for three years; From January 1, 2001, the income tax on rural credit union of which the taxable income was under the 30,000 Yuan (including 30,000 Yuan) shall levy at the reduced rate of 18%; the income tax on rural credit union of which the taxable income was between 30 million Yuan and to 100 million Yuan (including 100 million) shall levy at the reduced rate of 27%; Before the end of 2003, income tax on fiscal subsidy income of China Reserved Grains Management parent company and its directly subordinate grain depots was exempted (stamp tax, real estate tax, land use tax, and vehicle use

tax on them were also exempted); Income tax on the enterprises, converted from the exploration and planning engineering institute, shall be levied at the reduced rate of half from the date their certification of public undertaking institute or the status of that was written off during the time between January 1, 2001 and December 31, 2004. The rate of income tax on financial and insurance business was adjusted from 55% to 33% in 1997.

- ii. Adjustment of expenditure policy. Expense of technical development occurred in foreign investment enterprises can be treated as creditable taxable income by 50%; The donations that enterprises, public undertaking institutes, social entities and individuals donate to non-profit agents for commonweal or rescue work can be creditable fully before paying the enterprise income tax or individual income tax. The supplemental endowment insurance established by some profitable enterprises for their workers within 4% of the total wages is allowed be the pretax deduction fully, so does the medial insurance; During the enterprises at non-pilot area establish the supplemental medical insurance for their workers, the part of withdrawal within 3% of the overall wage by the standards still according to the decision on establishing the urban workers basic medical insurance system of state council was distributed into employees services and benefits, and if it could not be covered, overage was allowed to be pretax deduction before income tax if it could list in cost approved by the fiscal department; From January 1, 2001, the donations to red-cross association by the social force such as enterprises, public undertaking institutes, social entities and individuals etc. through non-profitable social union, government (including China Red-Cross Association) is

allowed be the pretax deduction fully when computing the enterprise income tax or individual income tax; expenditure policy concerning the high-tech enterprises. The expense used for research and development of new products, new technology and new procedure by enterprises is not limited by this proportion, and can be reckoned in administration expense. When calculating the payable income tax at the end of year, tax adjustment is done by the taxable wages, if the expense used for research and development of new products, new technology and new procedure by profitable enterprises is 10% more than last year (including 10%), the actual expense of that year is listed by regulation, and can be the deduction of taxable income by 50% at the end of the year if this is approved by the tax bureau governed them; if it has no increasing of 10%, no deduction will be allowed. The expense used for research and development by the loss making enterprises, is listed actually only, and it can't be the deduction to taxable income if it increases by some proportion. For the key equipments and testing apparatus bought by enterprises for developing new technology and researching new products, if unit price is under 100 million Yuan, it can be distributed into administration fee in one or several times, among which those reaching the standards for fixed asset shall be administrated separately and is not counted the depreciation any more. If the research expense of profitable enterprise achieves the increase of 10% or more, for 50% of its actual expense, if it exceeds the taxable income in that year, the part no more than taxable income can be deducted. The overage will not allow to be treated as deduction in current or late year. For the enterprise which invests in the technology reconstruction program along with national industry policy

in China, a 40% of the investment for home made equipments that the project needs can be deducted from the overage of the income tax than last year in the year that enterprise bought the equipment.

e) Adjustment of the Tax Policies on Imports and Exports.

The main measures were listed below: (A) To clear up and adjust preferential tax policies for imports and exports roundly. Such as, to clear up deductions and exemptions for tariff duty, value-added tax and consumption tax for imports in 1994; (B) To adjust and reform tariff rates. On April 1, 1996, the average rate of tariff for imports was declined from 35.9% to 23%, and continuously lowered to 17.04% since October 1, 1997; From January 1, 1999, the tariff level as a whole was further down to 16.5%; (C) To adjust the drawback rate. After January 1, 1996, the drawback rates for exports (with the exception of those of the large whole set fixture, large mechanism and large electric equipment, which applicable to 14% stated by the National Taxation Bureau) are mainly listed below. (a) Farm produce, the drawback rate is 3%; (b) Industrial products mainly made from farm produce and from other goods applicable to the rate of 13% value-added tax, 6%; (c) Other goods applicable to the rate of 17% value-added tax, 9%. Since then, the average drawbacks rate arrival at 15%. As for exporting software, with the National Taxation Bureau permit, the related enterprises could get their drawbacks according to nominal levying rate even though their drawback rate is lower than the nominal levying rate.

f) To Adjust the Agriculture Tax Policies.

(A) To amend the former *Temporary Ordinance of Contract Tax*. The main content are listed below. Levying tax on land usufruct transfer instead of on land ownership transfer; Unifying the tax policies for all types of ownership, reducing tax deductions and exemptions and cutting tax rate by 1%-3%; Abolishing contract tax for pawn and amending the basis of assessment. The new *Temporary Ordinance of Contract Tax* was in valid since October 1, 1997.

(B) To reduce the tax rate on some special agriculture products and to further stipulate the tax policy of special agricultural products. On January 1, 1999, the rate on tobacco leaf fell from 31% to 20% and levied in the light of the changed basis of assessment relating to its purchase price; To stop levying special agriculture products tax for hog skins purchased by enterprises and individuals temporally and the rate of cow skin and sheep skin are changed to 5%.

(4) The Effects of the Tax Reform in 1994

After the tax system reform in 1994, the tax categories decreased from 37 to 23, the tax structure became more reasonable, the tax burden was fairer, illegal tax deductions and exemptions were restrained to some extent. Meanwhile, the ability of collecting and macroeconomic adjustment functions became more and more powerful. Generally speaking, the new tax system maintained the original tax burden, and did not lead to large price fluctuation so that it played an important role in the foundation and development of socialism market economy system. It has been proved that the tax system reform got a big breakthrough and great historic success. The effects include:

- a) To administrate Tax by Laws in Order to Create a Fine Tax Environment for Developing the Market Economy.

The market economy requires fair competition. The new tax system integrated the domestic turnover taxes with those of foreign funded enterprises. Thus, the unified turnover tax avoided the phenomena of duplicate taxation caused by the original product tax and united tax on industry and commerce. The new system also unified the corporate income tax for the domestic-funded enterprises, which were existed respectively according to ownership, in order to meet the principle of fair tax burden. The tax deductions and exemptions was restricted by abolishing provisional and illegal tax deductions and exemptions, establishing the authority of tax laws and creating more fair tax environment based on fair competition.

- b) To Regulate the Income Distribution Among Governments and SOEs.

The new income tax system for enterprise established the corporate income tax instead of the contracting out system, regulating the distribution relationship between the state and enterprises. On the basis of implementing the *Enterprise Financial Rules* and the *Enterprise Accounting Standards*, SOEs pay the corporate income tax according to laws. The after-tax-profits of enterprises were allocated according to the share of stock. Thus it basically separated the function of government from those of the enterprise. Thereby, SOEs become more powerful and more competitive. The new system amended the rules of individual income tax to adjust personal income difference and to alleviate unjust distribution of social wealth. The promotion of referring

distribution relationships plays a very important role on the stability and development of the national economy.

c) To Rationalize the Economy Structure

The new tax system has rationalized the tax burden structure among business, industries, products, enterprises and regions. In addition to the consumption tax, value-added tax, resource tax and the tax on special agricultural products, the new tax system has promoted the efficient allocation of social resources and accelerated the adjustment of the industrial structure and structure of products. On the one hand, the system has consolidated the basic status of the agriculture, transportation, energy and raw material industries. It also has guaranteed the production and sales of necessities such as crops, cotton, oil and agricultural materials and has supported the development of *vegetable basket project*, national defense, education and civil administration. On the other hand, the system has restricted the non-encouraged products and industries. Thus double construction and waste of natural resources, such as small cigarette factories and small alcohol factories, was restricted.

d) To standardize and simplify the tax system, unify tax administration to reinforce the function of revenue collection and to solve the long-term problem that the increase of tax revenue did not keep pace with the development of economy, correspondingly.

e) To promote enthusiasm of both the central government and local governments, in order to increase fiscal revenue and to reinforce the macro-control ability of the state by reasonable decentralization. The new tax

system together with the systemic allocation of tax revenues has definitely divided the administrative and financial authorities among the central, provinces and local governments. Therefore, all levels of governments work more actively and the fiscal revenue also increases.

f) To Accord with International Tax Practice in order to Strengthen the Trend of Opening Door to the Outside Movement.

The new tax system and its administration paid more attention to international tax practice, so it is helpful not only for foreign capital investment but also for domestic enterprises regarding international cooperation and competition. Although the new tax system has unified the turnover tax of domestic and foreign funded enterprises, it still maintains the preferential system for foreign-funded enterprises. This policy proves the relative stability and continuity of the tax law, supports the consistent principle of our open-door policy and wins high praise from foreign investors, the World Bank and the IMF.

g) To Keep Social Stability and Promote Economic Development.

To avoid the turbulence of social economy caused by tax reform, the government adopted a series of transitional measures. Such as, two preferential tax rates (27% and 18%) were introduced for some state-owned enterprises of poor profits and some collective-owned enterprises (meanwhile the income tax rate for general domestic enterprises still stayed at 33%). Foreign-funded enterprises founded before December 31, 1993 could enjoy their tax returns equal to the new-added tax burden from the government. Such measures avoided the price fluctuation caused by heavier tax burden for some enterprises,

alleviated the pressure for some enterprises and industries and guaranteed the social stability and economic development.

C. The Orientation for Future Tax Reform

The reform of tax system in 1994 had taken a great breakthrough and won a historic victory. But, like other important reforms, the reform still had some defects and could not solve all existing problems. There are still many conflicts and problems. First, the ratio of tax revenue to gross domestic product is still low. Second, the structure of tax system and tax burden could not meet the needs of the improved national economic structure. Besides, the tax revenue has not covered all tax resources. Third, the tax system is not so reasonable as to meet the requirement of socialist market economy. Fourth, the relationships between law-building and implementation, the implementation and judicial administration are still not in sequence, and the tax authority among central, provincial and local governments is not very clear. Simultaneously, there are not effective supervision and not effective implementation to collect taxes. There are still many illegal tax deductions, illegal exemptions and interference from local government. It is expected to set up the mechanism of independence and restraint each other for legislation, implementation and judicial administration. Fifth, the regulation and control of tax system are not adequate due to the over-emphasizing the function of tax system to solve the financial difficulties of enterprises.

In order to meet the requirement of the WTO rules and to develop socialist market economy, the main tasks of tax reform in the near future were listed below: (A) To improve the tax system; (B) To enlarge tax base, to adjust tax rate; (C) To design new tax categories, and (D) To abolish transitional measures of preference gradually.

(1) To Clear up Transitional Preferential Tax Policies

The tax reform in 1994 has greatly contributed to the restriction of illegal tax deductions and exemptions. Meanwhile, for the sake of smooth transit to the new tax system, the government issued transitional preferential policies, mainly related to value-added tax and corporate income tax. After expiration, these policies should be cleared up and most of them should be abolished. The principles are: First, for those who have the ability or for those have difficulty but have obligation, the preferential policies should be stopped. Second, for those who have difficulty because of carrying out the public policy, the preferential policies should also be stopped, but meanwhile the government should supply a set of other measures and give adequate helps for a period of time. Third, for a few taxpayers who indeed need tax benefits, the policies could be lasted for some time. If it should be lasted, the preferential policies have to be transformed to formal tax codes.

(2) To Reform Tax System of Exports and Imports

The principles for the reform of import tax system were to clear up tax deductions and exemptions, to widen tax base, to lower tax rate, to adjust tariff system, to unify the tax policy between domestic and foreign funded enterprises, and to promote tax revenue from imports, etc.

The detailed measures include:

To clear up tax deductions and exemptions for imported goods.

To abolish the tax deductions and exemptions policies, which go against socialist market economy's requirement and against the principles of national

treatment and fair competition.

To maintain the tax deductions and exemptions policies that accord with international practice and benefit our economic development, and change the temporary policies into formal codes according to the principle of opening, justice and fair.

To gradually lower the total tariff level to the average level of developing countries and to accord with the requirement of industrial policy in the design of tariff rate.

(3) To Reform the Income Tax System

In order to unify the corporate income tax for domestic and foreign funded enterprises, we should issue a new corporate income tax for all enterprises within the Chinese territory. This would be helpful to abolish the differences in corporate income tax between domestic and foreign funded enterprises, and among regions according to the requirement of the WTO and the principle of national treatment. We also should shrink the range of tax deductions and exemptions, and to adjust the preferential policies. The criteria of tax preference should be mainly aimed at encouraging industrial development instead of the ownership, fund resource and region. The measures can be as accelerated depreciation, declined tax rate, tax deductions, and exemptions partially.

To improve individual income tax. We need to enlarge the range of taxpayers. We also need to practice individual income tax system, combining the comprehensive methods with classified methods. The other points we need to improve are listed below: To establish the two-side declaring system, both the employers and employee. To reasonably decide the deduction criteria for

expenditure and the tax rates for classified levy and comprehensive levy according to the fair burden principle. To add tax burden properly to high income taxpayers to alleviate the unfair distribution and to reinforce the tax administration for individual income tax in order to enhance the ratio of individual income tax out of total tax revenue.

(4) To Further Improve the Turnover Tax System

China need to adjust the turnover tax system on the basis of reviewing present tax system: to rapidly finish the legislation for the value-added tax, consumption tax and business tax; to adjust the levy range of value-added tax and business tax; to speed the transformation from manufacture-guided VAT system to consumption-guided one; to enlarge the range to levy for consumption tax and adjust the procedure to levy and tax burden; to adjust the tax base for resources tax and the compensation fees collected from mining resources as a whole, in order to relieve the tax burden of mining enterprises.

(5) Reform of Other Tax Categories

To reform agriculture taxes. To amend the *Temporary Ordinance for Tax on Occupancy of Cultivated Land* in order to enlarge range to levy, adjust the tax base, clear up preferential tax policies and perfect administrative rules. The aim of the reform is to lower the burden of agricultural tax to a reasonable level.

To reform local tax system: to adjust the tax policies and tax structure of local taxes in order to establish a relatively independent local tax system mainly based on estate tax. The measures include: to collect inheritance tax; to

amend the tax law on the use of vehicles and ships and stamp tax. We need to unify the similar taxes between domestic residents and foreigners, such as combining the taxes on urban real estates and land for domestic residents with those for foreigner; combining the taxes on vehicles and ships license plate for foreign-funded enterprises and taxes on the use of vehicles and ships for domestic enterprises and persons; to adjust the tax burden and to unify local tax policies for both foreign and domestic funded enterprises.

To levy social security tax at an appropriate time.

To clear up government charges and to transform some the charges into taxes. It is helpful to relieve the tax burden on both enterprises and farmers. The main measures include: to legislate some government legal charges and funds and to abolish illegal charges.

(6) To Reform the Administration System, in order to Reinforce the Supervision and Inspection on Implementation of Tax Policy.

To classify the tax administration system and responsibility between central and local government according to the principles of tax unification, authority centralization, managing right unification and administration classification to mobilize the enthusiasm of collecting tax revenue for local governments.

To strengthen the supervision and inspection on implementation of tax policy to ensure the execution of tax policy.

IV. Revenue Distribution between Central and Local Governments

1. Setting up the Tax-Sharing System

In 1994, according to the requirement of socialist market economy development, on the base of experimental experiences, China introduced the system of tax-sharing across the country. The revenue between the central and local governments was distributed according to the principle of the combined financial and administrative authority. The taxes, essential for the national interests and macro-controls, were ascribed to the revenue of central government. Meanwhile, the main taxes, related directly to the economic development, were shared between central and local governments. The taxes, appropriate to local administration, belonged to the local governments. If categories of local tax will increase, then consequently, so will the revenue of local government. The central and local tax organizations were established independently. The central tax organizations are responsible for the collection of central taxes and taxes shared by central and local governments. The local tax organizations are responsible for collection of local taxes. The details include:

The fixed revenue for the central government includes: the customs, consumption tax, corporate income tax on enterprises subordinate to the central government, income taxes of non-bank financial institutions. The income tax and profits of some institutions, such as railways, head offices of banks, head

offices of insurance companies, are handed over to the central government in a centralized way (including business tax, income tax, profits and tax on city maintenance and construction). The profits of enterprises subordinated to the central government were also handed over to central government. Drawback to foreign trade enterprises should be burdened by the central government. Exceptionally, a 20% was counted as the basis paid to the central government by the local governments in 1993.

The revenue of the local governments includes business tax (except business tax of railways, head offices of banks, head office of insurance company, which are handed over to the central government in a centralized way), income tax and profits of the enterprises subordinate to the local government, individual income tax, tax on the use of urban land, tax on the adjustment of the investment in fixed assets, tax on urban maintenance and construction (except the part of railways, head offices of banks, head office of insurance company, which are handed over to the government in a centralized way), tax on real estate, tax on the use of vehicles and ships, stamp tax, slaughter tax, tax on agriculture and animal husbandry, tax on special agricultural products, tax on the occupancy of cultivated land, contract tax and revenue from the usage of state-owned land.

Revenue shared by the central and local governments includes: value-added taxes, resources tax, tax on stock dealing (stamp tax). A 75% of the value-added tax revenues belongs to the central government and a 25% belongs to the local governments. The revenue of resource tax is divided according to types of resources. Such as, the central government possesses the tax revenues on ocean petroleum resource; local governments possess the other tax on resources revenue. The central and local governments share the tax on stock dealing (stamp tax) half to half.

2. The Adjustment of the Tax-Sharing System

The distribution of tax revenue was further adjusted according to the operation of the system and the purpose of macro-control. The central and local governments shared the tax on stock dealing (stamp tax) half to half before. From May 1997, the rate of tax on stock dealing (stamp tax) increase from 0.3% to 0.5% and the enhanced amount belongs to the central government. At the same time, for the original 0.3% revenue of the tax on stock dealing of the Shanghai and Shenzhen stock exchanges, the distribution ratio between the central and local governments changes from 5:5 to 8:2. Afterward, with the expansion of the security exchange market, the revenue of the tax on stock dealing has increased a lot. To deal with the distribution relationship between central and local governments well and to improve the ability of macro-control of the central government, on 29th Sep 2000, the State of Council decided to adjust the distribution ratio of the tax on stock dealing from 1st Oct 2000. The revenue distribution ratio between the central government and local governments will change from 88%-12% to 97%- 3% in subsequent three years. That means the central government took 91% and local governments took 9% in 2000, central government took 94% and local government took 6% in 2001, central government takes 97% and local government takes 3% in 2002. The distribution ratio of 2000 will be carried out on 1st Oct 2000. The rate of business tax in finance and insurance industry increases from 5% to 8% and the enhanced part belongs to the central government. For the revenue on the use of state-owned land, the revenue on the usage of state owned land newly changed to non-agriculture belongs to the central government in order to control the usage of land strictly.

In order to improve development of the socialist market economy, further stipulate the distribution relationship between central and local governments, set up reasonable distribution system, avoid repeated construction, reducing the difference of financial capability among different cities, support the Great Development in the West, and realize common prosperity step by step, the State Council formulate a [Notice on the reform plan about the share of income tax revenues] in the end of 2001. The reform on the share of income tax revenues was carried out on 1st Jan. 2002. The plan stated that central and local governments share the incorporate income tax revenues, and individual income tax revenues according a fixed ratio except some special industrials and companies. The local governments reserved the existing income tax revenues in 2001 as basic data, and the increase should be shared between central and local governments. In 2002, the central government should obtain the 50% of the increase on the total income tax revenues and the local governments should obtain the 50% too. In 2003, the central government should obtain the 60% of the increase on the total income tax revenues and the local governments should obtain the 40% of the increase. The sharing ratio will be reconsidered according to the factual income revenues after the year 2003. To ensure the smooth enforcement of tax-sharing reform on income tax revenues, the former managerial range for incorporate income tax and individual income tax levied by the National Taxation Bureau and Local Taxation Bureau remains unchanged in order to avoid the misarticulate of levy and management of the income taxes. The income tax of the newly registered companies was levied and managed by the National Taxation Bureau.

3. The Revenue Among the Governments

Since 1994 when the tax distribution system was carried out, the financial capability of the central government has been strengthened. The ratio of tax revenues of the central government to the total tax revenues rose from 20.78% in 1993 to 55.24% in 1994 and increased 35% in total. The financially negative situation of the central government has reversed and the capability of the central government to control macro-economy has strengthened. After 1994, although the ratio of the tax revenues of the central government to the total tax revenues fluctuates, generally the ratio is between 50% and 55%. The details are shown in table 4.

<Table 4> Total Revenue and Ratio of Central and Local Governments

(Unit: 100 million Yuan, %)

Year	Total Revenue	Central Government		Local Governments	
		Revenue	Ratio (%)	Revenue	Ratio (%)
1993	4255.30	883.99	20.78	3371.31	79.22
1994	5126.88	2831.97	55.24	2294.91	44.76
1995	6038.04	3205.27	53.08	2832.77	46.92
1996	6909.04	3460.83	50.09	3448.99	49.91
1997	8234.04	4232.00	51.40	4002.04	48.60
1998	9262.80	4824.35	52.08	4438.45	47.92
1999	10682.58	5747.65	53.80	4934.93	46.20
2000	12581.51	6892.65	54.78	5688.86	45.22

Note: Local here means provincial and county governments

Source: *Finance Yearbook of China* (2001)

V. Income Tax Revenues Policy

After the tax reform in 1994, China set up a new tax structure, with both turnover tax and income tax being main taxes. The turnover tax contributes great part to tax revenues, but the contribution of income tax is rising steadily. Further more, tax relief is mainly on income tax after China entering the WTO, hence I should talk about the current income tax policy in China and the direction of the following reform.

1. The Current Corporate Income Tax Policies.

After the tax reform in 1994, domestic enterprises carry out uniform corporate income tax system, and the uniform tax rate is 33%. But foreign-funded enterprises carries out the [*The Income Tax Law for the Foreign investing corporations and Foreign corporations*], the tax rate is 30%, and with the local income tax that is levied as the rate of 3%.

2. The Preferential Corporate Income Tax Policies

Expense exemption standards:

(1) The interest fees payable for loans to the financial institutions during corporations' producing and operating periods could be deducted according to the actual amount incurred; the interest fees payable to non-financial institutions within the amount calculated by the same classification and loan rate of the financial institutions can be deducted.

(2) The salary less than the taxable amount can be deducted by the salary tax payable. The amount of taxable salary is decided by the local governments of provinces, autonomous regions, and municipalities in the range permitted by the Ministry of Finance, and put on records to the Ministry of Finance.

(3) The labor union fees, welfare fees, education fees are deducted separately as 2%, 14%, and 1.5% of total taxable salary.

(4) The grant for commonweal and social relief which is no more than 3% of annual taxable income can be deducted.

(5) Preferential Tax Policy

The reduction and exemption policy is applied to the following taxpayers:

a) The companies in the autonomous regions that need care and encouragement may reduce or exempt their income tax periodically permitted by the local governments of the autonomous regions;

b) According to laws, administrative regulations, and relative regulations of the State Council, the following enterprises can benefit from reduction and exemption policy:

- i. The corporations that supply services to agriculture;
- ii. The corporations that produce construction materials by use of waste in the first five years run;
- iii. The revenues of research institutes or universities from technical services, and the first 300 thousand Yuan of annual revenues of the others coming from technical services are exempted;

- iv. The first year business tax of newly set up transportation corporations and communication corporations is exempted, and the second year business tax is levied as a half;
- v. The first year business tax of some newly set up service companies is free, and the second and third year business taxes are levied as a half.

c) Two kinds of allowance tax rate: the corporations whose taxable income is no more than 30 thousand Yuan annually are levied at the rate of 18% temporally. The corporations whose taxable income is more than 30 thousand Yuan and no more than 100 thousand Yuan are levied at the rate of 27% temporally.

d) Making up the lost of the former years. The loss of the taxpayers in the current year could be made up by the income of the next year. If the income of the next year is not sufficient, the income of the year after the next year can be used to make up the loss of two years before, but the permitted term is no more than 5 years.

e) Tax deduction policy

The income of taxpayers from aboard that has already paid income tax aboard can be deducted from taxable income, but the deduction amount should be no more than the tax payable calculated according to the law of [Corporate tax regulation of China (temporal)].

The income tax paid abroad refers to the factual income tax paid to foreign countries on the income from foreign countries. It excluded tax reduction or tax exemption, the tax allowance, and tax undertaken by others. But if China and foreign countries signed the agreement to avoid dual taxation, it has a priority.

If the factual tax payment for the revenues from other countries is less than the deductive ceiling calculated by regulations, the tax payment can be deducted from the tax payable as the factual amount. If the tax payment is over the deductive ceiling, the amount above the ceiling is not allowed to be deducted from tax payable of the current year, and cannot be rated as expenditure, but can be deducted from the taxable balance of the following years (no more than 5 years).

For the taxed earnings obtained on investment from other corporations, the ratat can be deducted when the income tax payable of the corporation is calculated.

f) The income tax preference policy for the high tech companies.

The newly established high tech companies can enjoy tax exemption for the first two years, and enjoy tax reduction for the continued three years since the year when the companies earn a profit.

The related expenditure policy for the high tech companies is issued. The Ministry of Finance and the National Bureau of Taxation issued two documents¹⁾ separately in Apr. and Oct. 1996. The main policies listed below:

- i. Expenditure for research and development on new products, new technologies, and new processes can be accounted as management expenditure without any limit. When the taxable income is calculated at the end of the year, the expenditure will be adjusted according to taxable salary.
- ii. For profitable enterprises, if the research and development expenditure on new products, new technology, and new process of companies increased 10% than last year, not only the practical

1) [A Notice on Accounting and Taxation Problems to Stimulate the Technical Development of Companies] and [A Supplemental Notice]

expenditure can be accounted as management expenditures, but also another amount expenditure equal to 50% of the increased outlay can be deducted from the taxable income of the current year after the examination and permission of the Tax Bureau in charge. If the increase rate is less than 10%, no deduction is given. The research and development fees for no-profit enterprises cannot be deducted even if the increase rate is higher than 10%, but the fees can be accounted as expenditure too.

- iii. The fees for purchasing the key equipment and testing instruments for the development of new technology and new products that are less than 100 thousand Yuan per set can be accounted as management expenditure at one time or allocated during a period of time. Among those, if the equipment or instruments meet the standards of fixed assets, they should be taken care of singly, and the depreciation should not be calculated.
- iv. For profitable enterprises, which the research and development fees on new products, new technology, and new process increased 10% than the last year, if the 50% of the fees are more than the taxable income in the current year, the fees less than the taxable income can be deducted and the above part can not be deducted any more.

To encourage the investment and support the technical reform, the Ministry of Finance and the National Taxation Bureau formulated a [Temporal Plan for Deduction from income tax on the investment on the technical reform on national equipments] on Dec. 8 1999, which stated that if a company invests on the technical reform in China and the investment meets the regulation of

industrial policies of China, the 40% of the equipment investment on technical reform can be deducted from the newly increased corporate income tax of the year when the equipments for technical reform project was purchased.

3. The Preferential Corporate Income Tax Policies for Foreign Funded Enterprises or Foreign Registered Enterprises

A. The Standards for Expenditures.

(1) The Standards for Factual Social Engagement Fees Can be Accounted as Expenditure.

The social engagement fees related to manufacture and management, and certified on a record or an invoice, can be accounted as expenditure as the following:

- If the annual net sales are less than 15 million Yuan, the social engagement fees can be accounted as expenditure at the amount no more than 0.5% of the net sales. For the part above 15 million Yuan, more social engagement fees can be accounted as expenditures within 0.3% of the net sales.

- If the annual operating income is less than 5 million Yuan, the social engagement fee can be accounted as expenditure as the amount of less than 1% of the total operating income. For the part above 5 million, more social engagement fees can be accounted as expenditures within 0.5% of net sales.

(2) The Standards for Salary and Welfare Fees

The standards and related materials about salary and welfare fees should

be handed over to and permitted by the local Taxation Bureau.

Enterprises should not list the abroad social insurance fees as expenditure of their employees who work in China.

(3) The Standards for Bad Debts

The enterprises dealing with the operations of credit and leasing can list bad debts reserve at no more than 3% of the lending balance (excluding inter-bank short-term loans) or accounts receivable and bills receivable at the end of year according to needs approved by the local Tax Bureau. The factual bad debts that is more than the bad debts reservation of the last year should be recorded as the loss of the current year; the actual bad debts that is less the bad debts preparation of the last year should be recorded as a part of the taxable income of the current year.

The items should be calculated in the taxable income of the current year when the receivable items recorded as loss before are repaid finally.

(4) Regional Beneficial Tax Policy

- i. The foreign funded enterprises, which is established in the Special Economic Zone, or running a business agency or has a regular address in the Special Economic Zone, only submit corporate income tax at the rate of 15%. The productive foreign funded enterprise in the Special Economic and Technical Development Zone also only submits corporate income tax at the rate of 15%.
- ii. The productive foreign funded enterprises in a city with a Special Economic Zone, a Coastal Open Zone, or an Economic and Technical

Development Zone but outside of the Zone should submit corporate income tax at the rate of 24%.

- iii. The foreign funded enterprises, which set up in a city with a Special Economic Zone, a Coastal Open Zone, or an Economic and Technical Developing Zone but outside of the Zone, and dealing with energy, traffic, ports docks, or other projects encouraged by the State Council, should submit corporate income tax at the rate of 15%.
- iv. The productive foreign funded enterprises lasting for more than ten years are granted exemption of corporate income tax in the 1st and 2nd year from the year earning profit, and can submit corporate income tax as half of the rate from the 3rd year to the 5th year. For enterprises exploring in oil, gas, rare metal, and precious metal, the tax policy is specially stipulated by the State of Council. The enterprises running within 10 years should pay retroactively the reduced and exempted corporate income tax.

(5) The Industrial Beneficial Tax Policy

The foreign funded enterprises dealing in agriculture, forest industrial, and husbandry or in the undeveloped regions can pay corporate income tax at 70% to 85% of the tax rate if the application of the enterprises is approved by the administrative tax section of the State Council after the expiration of period of tax reduction and exemption.

(6) Reinvestment Drawback.

If the foreign investors invest their earning from enterprises in China on

the same enterprise to increase their registered capital or on other enterprises, which run more than 5 years, can obtain drawback 40% of the income tax payment of the reinvestment after the application of the investors is approved by the Tax Bureau. If the State Council has special statement, carry out as the statement. If the reinvestment is drawn back within 5 years, the tax drawback should be repaid.

(7) The Policy on Making Up the Loss of the Former Years

The annual loss of the foreign funded enterprises and foreign enterprises can be offset by the income of the next year, if the income of the next year is not enough, the income of the year after the next year can be used, but the period is no more than 5 years.

(8) Tax Deduction

The income of tax payers come out of China that was levied on income tax can be deducted from taxable income, but the deducted amount must be no more than the tax payable calculated according to [Corporate tax regulation of China (temporal)].

(9) Projects That Enjoy Tax Reduction and Exemption

The following income can enjoy tax reduction and exemption:

- i. The benefits, which foreign investors gain from the foreign funded enterprises, are free of income tax.
- ii. The interest earning of the loan to the central government or the

national banks of China lent by the international financing institutions are free of income tax.

- iii. The interest earnings of the loans to the national banks of China lent by the foreign banks at beneficial rate are free of income tax.
- iv. The fee for obtaining franchise in science research, energy development, transportation development, agriculture, forest and husbandry production, and important technology development approved by the State Council may be levied on income tax at 10% of the rate. If the franchise fee is spent for advanced technology or the purchasing term is beneficial, the income tax is free.

4. The Directions of the Reform on Tax Beneficial Policies

China joined the WTO in 2001, and should uniform the corporate income tax for the national enterprises and foreign enterprises as the requirement of the national treatment principle and improve the current beneficial policies of the corporate income tax. The basic consideration of beneficial policy is:

(1) To promote the harmonious development of the regional economies, we should adjust the regional beneficial tax policies especially regarding the East area in order to stress the tax supporting to the West;

(2) To strengthen the tax supporting to the basic industrial, high tech and environmental protection industries;

(3) To standardize the social tax beneficial policies. We should strictly control and reduce step by step the benefit policy for the difficult enterprises,

and to find a more scientific way to support the projects that need beneficial tax policies in order to avoid tax leaks.

(4) The tax beneficial policy should meet the requirements of the WTO. Under the background of economic globalization, countries, on one hand, should emphasis trade freedom and abide by the mutual international competitive principles, on the other hand, need reasonably design the tax system to protect their national economics and industries.

After China joined the WTO, the customs tax rate is reduced and the fields of market access will be increased. Thus, large quantity of imported productions may beat the national productions. So we need adjust the different treatment relating to foreign investment enterprises, imported productions, national enterprises and national productions. And we should cancel the super national treatment on applicable tax categories and tax beneficial policies for foreign investment enterprises and foreign persons. At the same time, we should verify tax beneficial policies according to international routines and tariffs, strengthen the reasonable protection to the national twilight industries. We also need further improve export tax payment drawback system, set up reasonable tax beneficial policies and increase the international competitive ability of the national enterprises.

(5) To set up a budget managerial system of tax expenditure. Tax expenditure refers to a kind of government expenditure come from reducing special tax burdens of taxpayers through carrying out the tax system inconsistent with the basic structure of the current tax law. Tax expenditure is a special kind of expenditure of government in order to encourage special economic activities for the purpose of realizing a political, economic, and

social developmental objective. Tax expenditure budget has a function on strengthening tax management, providing the decision supports on tax benefits and will be helpful in choosing fiscal supporting manners.

5. Problems of International Taxation

The key problem of international taxation is to avoid double levy through tax agreements. The negotiation and signature work of our international tax agreements began in 1981. And the work obtained great achievement in recent years. The quantity of tax negotiation and signature of our country has been set the pace among developing countries. So far, China has signed mutual comprehensive tax agreement with 72 countries including Japan, America, French and British, and 64 of them took effective. The tax agreements signed by our country with the seventy-two countries are mainly about the exemption of double levy on income (some including estate), information exchange and avoiding tax evasion.



Economic Globalization and Chinese Tax Reform

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제2주제 토론 요약

○ 사회: 尹建永 / 연세대 교수

이번 주제는 경제의 세계화와 중국의 세제개혁입니다.

중국은 지난 30년간 사회경제적으로 매우 근본적인 발전단계를 거쳐왔으며 세제개혁은 중국의 발전과정에서 매우 중요한 요소이었습니다. 王朝才 박사께서는 이러한 중국의 발전과정에서 중요한 역할을 하였고 특히 중국 세제 개혁에 있어서 큰 역할을 하신 것으로 알고 있습니다.

저는 중국의 조세개혁에 대해서 많은 관심을 갖고 있습니다. 여기에는 몇 가지 이유가 있습니다. 첫째, 중국은 아주 큰 나라일 뿐만 아니라 한국과 이웃하고 있기 때문에 중국의 조세개혁은 그 자체만으로도 한국의 경제학자들에게 매우 큰 의미가 있다고 생각합니다. 둘째, 중국이 한국의 매우 중요한 교역상대국이며 동시에 중요한 비즈니스 파트너입니다. 셋째, 우리의 형제들이 북녘에서 많은 어려움을 겪고 있습니다. 중국의 개혁을 잘 이해한다면 북한의 문제를 해결하는 데 많은 도움이 될 수 있을 것으로 생각합니다. 이러한 측면에서 王朝才 박사님과 같은 중국의 전문가로부터 중국의 조세개혁에 대해서 들을 수 있는 것은 큰 의미가 있다고 생각합니다.

○ 토론: 한상국 / 한국조세연구원 연구위원

발표자께서는 중국의 개혁개방기조 아래에서의 새로운 세제환경에 맞는 조세정책과 중국의 세제개혁이 어떻게 진행되고 있는지에 대해서 자세하게 설명해 주셨습니다. 미래의 세제개혁이라는 것은 언제나 평등문제 즉, 세제 특혜를 폐지하는 것에 대해서 집중하고 있는 것으로 보입니다.

우선 중국의 전반적인 세제개혁에 대해서 말씀을 드리고자 합니다. 첫째 장에서는 중기, 장기 세제개혁이 정보화시대, 노령화사회로의 이행 그리

고 사회보장제도의 진행 여부에 따라서 평가되어야 된다고 말씀하셨습니다. 그러나 두 번째 장에서는 첫째 장에서 말씀하셨던 이슈들을 제대로 담고 있지 않다고 지적하고 싶습니다.

미래의 세제개혁에 대해서는 언제나 평등문제 즉, 여러 가지 세제공제제도를 폐지하는 것에 대해서 집중하고 있는 것으로 보입니다. 그러나 제가 보기에는 효율성을 제고한다는 것도 중요하다고 생각합니다. 따라서 첨단 조세행정제도를 가지게 되면 효율성을 도모할 수 있을 것이라 생각합니다.

정부와 국영기업간의 관계는 수익을 같이 공유하는 관계입니다. 즉, 공기업에서의 수익이 세금납부를 통해서 같이 공유되고 있습니다. 그런데 공기업은 중국경제에서 상당히 큰 부분을 차지하고 있기 때문에 이 같은 조세정책이라는 것이 국영기업의 구조조정을 이루어내는 목표를 가지고 적용되어야 될 것입니다.

조세징수를 합법화해야 합니다. 현재 중국의 세법을 보게 되면 세금과 관련된 조항들이 충분한 법적인 안정성을 가지고 있다고 보기가 어렵습니다. 전인대에서 이러한 법적인 안정성을 높이고 현재 세제의 투명성을 제고하기 위해서 여러 가지 시행령 대신에 세법을 도입하기로 계획한 것으로 알고 있습니다.

중국은 통합된 세금신고시스템을 만들어서 중립성을 도모할 수 있도록 해야 할 것입니다. 그렇게 되면 기업들이 결정을 내릴 때 경제적인 조건에 의해서 판단을 하게 될 것이며 세무조항에 의해서 판단하지 않게 될 것입니다. 일본에서는 통합세무신고제도를 올해 도입했고 한국은 금년에 도입할 예정으로 있는 것으로 알고 있습니다.

세제감면에 대해서만 많은 논의가 있었는데 세제특혜제도에 대해서도 관심을 두는 것이 필요하다고 생각합니다. 즉, 세율을 낮게 두고 시간에 따라 감면해 나가는 것입니다. 투자자금에 대해서 이러한 조치들을 도입하고 감가상각을 적용시켜 나가는 방법으로 충분히 할 수 있을 것입니다.

지금부터 王朝才 박사님께 질문을 드리겠습니다.

첫 번째 질문입니다. 많은 해외투자자들의 외자가 중국의 개혁·개방 기조에 맞추어 중국으로 들어오게 되었습니다. 그리고 학계에서는 일반적으로 중국의 세제혜택 정책이 외자기업들에게 적용되고 있고 그 때문에 외자가 많이 유입된 것이라고 결론을 내고 있습니다. 어느 정도까지 외국의 직접투자 내지 간접투자가 중국의 경제발전과 세수확대에 기여했다고 보십니까?

두 번째 질문입니다. 발표자께서는 개혁을 통해 여러 가지 과도한 세제혜택 조치를 없애야 된다고 말씀하셨습니다. 그리고 WTO의 국가간 비차별적 내국인 대우를 적용해야 한다고 하셨는데 이는 기존의 세제혜택을 없애야 된다는 의미입니다. 따라서 어떠한 정책적인 수단을 통해서 외자를 유지하실 생각인지 말씀을 듣고 싶습니다.

세 번째 질문입니다. 1994년의 세제개혁은 성공했다고 간주되고 있습니다. 그런데 중국의 1994년 세제개혁은 중국 전체 세제와 관련된 문제를 해결한 것은 아닙니다. 아직까지도 GDP 대비 소득신고비율은 낮습니다. 그렇기 때문에 중국이 어떻게 이 같은 문제를 해결할 것인가의 문제에 대해서 의견을 듣고 싶습니다. 그리고 사회주의 시장경제에 적합한 세제를 만드는 것은 어떤 의미가 있습니까? 그리고 시장경제의 세제와는 어떻게 다르다고 생각하십니까?

마지막으로 재정적자에 대해서 질문을 드리고 싶습니다. 중국과 일본과 한국은 모두 재정적자로 인해 아픈 경험이 있거나 현재 경험하고 있습니다. 발표자는 1994년 세제의 도입으로 중국 중앙정부의 재정안정성이 높아졌다고 말씀하셨는데 재정적자는 계속되고 있는 상태이며 개혁·개방정책 기조가 도입된 이후에도 이 같은 추세는 지속되고 있습니다. 특히, 재정적자는 여러 가지 자국경제의 경기부양을 위해서 증대되고 있는 실정에 있습니다.

재정적자에 대한 중국 정부의 전반적인 계획은 어떠한가, 그리고 조세정책과 관련해서 이 같은 문제에 대해서 어떻게 접근하고 있는지에 대해서 듣고 싶습니다.

○ 토론: 田近榮治 / 일본 一橋大 교수

잘 정리되고 정보가 아주 많은 논문이었습니다. 중국이 어떠한 수단을 취해야만 책임 있는 WTO의 회원국이 될 것인지에 대해서 잘 명시해 주셨습니다. 하지만 중국경제를 이해하는 것은 쉽지 않다고 생각합니다. 빠르게 성장하고 있지만 시장경제로의 과도기적인 상황 때문에 많은 어려움이 있기 때문입니다. 중국 민간은행의 부실부채가 국영기업 부문에서 많이 증가하고 있는 것이 하나의 예입니다.

그러나 중국은 일본과는 상황이 많이 다릅니다. 즉, 지방정부는 공공재를 공급하는 역할뿐만 아니라 아주 적극적인 비즈니스파트너의 역할을 하고 있으며 기득권을 요구하고 있다는 것입니다. 즉, 시장을 관리할 뿐만 아니라 시장에 적극적으로 참여하는 것이 정부의 역할이라는 것입니다.

그런데 조세도 이러한 중국 경제의 과도기적 상황과도 무관하지 않다고 생각합니다. 그리고 기존의 국영기업의 이윤이 이제는 기업세 형태로 바뀌는 변화가 일어나고 있습니다. 이러한 변화가 일어나기 전에 정부의 주된 수입원은 거래세였지만 이제는 기업세로 변화하고 있습니다. 그리고 단단계 증치세(부가가치세)를 개혁하고 있는 것 또한 중국에서 일어나고 있는 주된 과도기적인 변화라고 볼 수 있습니다. 이와 동시에 토지와 시장에서 거래되는 자원에 대한 다양한 세제가 현재 도입되고 있습니다.

이 외에도 개인소득세라든가 상속세가 있습니다. 이 세목은 정부나 국민의 입장에서 어려움에 직면하기 쉬운 세목입니다. 일반국민들에게 세금을 부과하는 것은 사회주의 원칙과 잘 맞지 않기 때문입니다. 사회주의 정부는 일반국민들을 높은 개인세로부터 보호할 이념적인 의미를 가지고 있습니다. 개인소득세는 고소득자에 대한 세금 부과를 목표로 도입되었습니다.

중국은 자본주의 경제로 나아가는 변화 때문에 조세에 관한 주된 이슈가 무엇인지 확인하는 것은 매우 중요하다고 생각합니다. 이러한 측면에서 중국 조세에 있어서 매우 중요한 요소를 몇 가지 지적하고 이 문제에 대해서

질문을 드리고자 합니다.

첫째, 정부의 세수입니다. 현재 중국은 GDP 대비 세수가 증가하고 있습니다만 15%가 되지 않습니다. 중국정부의 인프라 SOC에 대한 투자는 굉장히 작습니다. 그런데 정부는 SOC 투자를 증가시키기 위해 채권을 주로 발행했습니다. 과연 중국정부가 채권 발행을 통해 어느 정도나 세수증가를 가능하게 할 수 있는지에 대해서 질문을 드리고 싶습니다.

또 하나 중요한 것이 증치세입니다. 중국의 증치세는 일반적인 부가세와는 다릅니다. 서비스 및 용역에는 적용이 되지 않고 제조품의 수입에만 국한됩니다. 금융이라든가 보험, 통신부문 등은 증치세가 적용되지 않고 법인세만 적용되고 있습니다. 그러니까 법인세와 증치세 두 개의 세목이 별도로 있다는 것입니다. 이것은 물론 중국의 과도기적 상황 때문에 생겨난 것이라 하겠지만 이러한 두 가지 세목은 별로 좋지 않으므로 개혁의 대상이라고 생각합니다.

중국의 개인소득세 세수는 아주 빠르게 증가하고 있습니다. 개인소득세 세수가 얼마가 되어야 한다고 생각하시는지요? 중국인들은 개인소득세를 싫어하지 않습니까? 중국정부에서도 가난한 중소 소득층에 대해서 이러한 개인소득세를 부과하는 것을 원치 않습니다. 이런 상황에서 어떻게 균형을 잘 맞출 것이냐 하는 것입니다. 이것은 소득의 균형을 위한 것입니까, 아니면 세수를 좀더 효율적으로 증가시키기 위한 것인지요? 이에 대해 좀더 적극적인 고려가 필요할 것으로 생각합니다.

기업소득세의 경우 기업소득세의 4분의 1이 외국기업으로부터 나옵니다. 그러면서 발표자는 외국기업에 대해서도 동등한 혜택과 대우를 해줘야 된다고 합니다. 하지만 외국기업들은 많은 기술, 고용의 효과를 중국정부에 가져다주지 않습니까? 이런 측면을 고려했을 때 외국기업에 대해서도 뭔가 전향적인 조치가 필요하지 않나 생각합니다.

끝으로 중앙정부와 지방정부를 구분해서 말씀해 주신 점에 대해서 말씀

드리겠습니다. 추가예산이라는 문제에 대해서 좀더 많은 토론이 필요하다고 생각합니다. 제가 말씀드린 대로 지방정부는 정부활동 외에도 기업활동을 하고 있다는 것입니다. 지방정부가 기업활동을 함으로써 상당히 많은 추가 예산을 확보할 수 있다는 것입니다. 그러니까 이러한 추가예산에 대해서 많은 토론이 필요하다고 생각합니다.

○ 답변: 王朝才 / 중국 재정부 재정과학연구소 부소장

한상국 박사께서 법에 의해 증세를 해야 된다는 문제에 대해 말씀을 해주셨는데 이것은 중국 국세청에서 중점적으로 추진하고 있는 사업입니다. 우리가 추진하는 세금은 모두 토지법 등 법에 의해서 징수합니다. 이 문제는 보다 더 법에 근거한 징수를 해야 된다는 것으로 이해하겠습니다.

또 외자기업에 대한 세수의 우대정책과 관련하여 내국민 대우를 한 후에 어떻게 외자를 유치할 것인가와 어떤 조치를 취할 것인가에 대해서 질의를 하셨는데요, 이 문제에 있어서는 우리는 항상 자신감을 가지고 있습니다.

중국은 시장이 굉장히 크고 아직까지는 저임금의 노동력이 풍부합니다. 때문에 이 분야에 우리 정부가 국제적인 관례를 도입한다면 많은 외국기업들이 중국에 투자를 할 것입니다. 그래서 우리는 현재 세금 혜택을 주는 방법으로 외자를 유치하려고 하지 않습니다.

다음은 田近榮治 교수께서 지적한 문제에 대해서 말씀드리겠습니다. 확실히 과거 계획경제 시대에는 개인소득세가 필요없다고 생각한 적이 있습니다. 그리고 그때는 모든 사람이 똑같이 소득이 적었기 때문에 그럴 필요가 없었습니다. 하지만 개혁·개방한 후에 개인소득 차이는 아주 현저하게 나타나고 있습니다. 중국의 소득 격차는 세계에서 가장 큼니다. 때문에 상속세라든가 소득세 문제가 이슈가 되고 있고, 또한 이러한 세목이 도입되고 있습니다. 하지만 개인소득세에 있어서 중국의 징세목표는 바로 공평성입니다. 물론 세수입도 고려하고 있습니다.

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제 3 주제 발표

Korean Tax Reform for the Global Era

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I. Introduction

As deregulation and liberalization prevail, financial policy tends to lose its effectiveness. Fiscal policy instead has assumed a greater role. Fiscal expenditure has increased steadily due to the repayment of public fund used to overcome financial crisis. Welfare expenditure also increased significantly due to an incoming transition to aging society. In the meantime, globalization brought about unfavorable changes in taxing environment. Tax competitions, which put downward pressure on corporation and income taxation is a good example. Furthermore, as information revolution progressed, unconventional forms of trading such as e-commerce are challenging the existing tax institutions and tax regimes.

These global changes necessitated world wide tax reforms: countries responded to the new environment either by reducing corporate taxes or by adopting separate taxes on capital income. Some countries restructured property taxation to supplement corporate and income taxation. In addition, due to the growing concern for a clean environment, green tax reform is contemplated in many countries.

East Asian Countries, Korea, China and Japan are geographical neighbors who share some of their common cultural heritages but, at the same time, they differ in many other aspects. As for economic aspect, China with its huge population and market has shown a noticeable growth, despite recent worldwide economic downturns. On the other hand, Japan has been undergoing a long period of recession while Korea began to pick up a stable growth after

overcoming financial crisis.

In spite of such differences, these countries are confronted with the same global economic transformation. Trade across borders is rising significantly as globalization proceeds. We also need to carefully examine the policy implication of the emergence of regional economic blocs such as EU and NAFTA. At the time when globalization, information revolution and aging population pose real challenges, this paper discusses the direction of tax reform in Korea. We examine mid to long term tax reform in the era of globalization from the viewpoint of cooperative and sometimes competitive relation among the three East Asian Countries.

II. Changing Environment and Tax Reform

1. Globalization and Changing Environment

A. Globalization and Tax Competition

As globalization progresses, the international mobility of factors of production, especially capital has been accelerated. Liberalization and deregulation of financial markets that started from 1980s, have facilitated capital movement into the most efficient markets. This led to a further deregulation with a result of free market taking its major role. Government authorities instead assumed the role of making and supervising rules that promote fair competition.

The integration of financial markets has facilitated capital movement across borders, which in turn prompted tax competition. Each country has an incentive to slash capital tax burden to attract foreign capital and to prevent domestic capital flights. In particular, corporation taxes and business income taxes has become major targets of tax competition. The fall in the OECD countries' average corporation tax rate from 41.6% in 1986 to 30.6% in 2000 illustrates the extent of competition.

Tax competition is also going on with respect to personal income taxation. Especially, within Europe, cross-country movement of labor, particularly high quality labors, is quite frequent. Therefore, the OECD highest marginal tax rates of personal income taxation, on average, have shown a continuous

downward trend from 54.6% in 1986 to 39.5% in 2000 as governments tried to stimulate human capital formation and to curb outflow of high quality labors.

As a result of globalization, governments find themselves competing intensely to enhance production capacity, and in the process, face inevitable tax reforms to counteract outflow of both physical and human capital. Since capital as well as highly skilled labor can move across borders relatively easily, a high tax burden on these factors will undermine the growth potential and ultimately lead to shrinking tax revenue. In circumstances where it is difficult to strengthen tax liabilities on capital owners and highly specialized labor, most of whom belong to high income groups, too much emphasis on the progressiveness of taxation will cause an unexpected increase in the tax burden of immobile middle-income class. This may weaken the redistributive effect of the taxation. Hence, it is necessary to strengthen such taxes as inheritance, gift and property taxes through which wealth redistribution is possible and simultaneously make more efficient use of redistributive fiscal spending.

B. Evolution into Information Age

Advances in information technology made possible a transition into knowledge and information based society. E-commerce has grown substantially as an access to and use of information via computer and internet became a fact of everyday life. According to the Korea Statistics Office (KSO), the size of e-commerce reached about 57.6 trillion won in 2000 with 52.3 trillion won in B2B transaction constituting more than 90 percent of the total.

E-commerce affected traditional distribution systems a great deal. Traditional distribution companies, under the changing environment, have been endeavoring to maintain competitiveness either by setting up cybermall to

advertise and take orders online for delivery or by utilizing e-commerce along with a more conventional business practice. The KSO surveys indicate that, by June 2002, the number of cybermalls is over 2,400 with transactions at more than 1.4 trillion won.

The expansion of e-commerce, particularly in a more strict sense, i.e., where the order, delivery and payment of digitized products are completed on-line raises many issues in traditional tax regimes. These issues include distinction between product and service, determination of the form of service/nature of income, definition of permanent establishment/place of supply, difficulty in applying arm's length principle.

In addition, e-commerce poses many fundamental problems in tax administration because of difficulties in confirming trader's identity and consumption place as well as limitations in tracing the source of income. Although the share of e-commerce out of total trade is not so large at present, since e-commerce is growing rapidly, streamlining e-commerce related tax regime poses a real challenge.

The OECD fortunately has responded to this new phenomenon early on by addressing e-commerce related problems in international taxation and tax administration. So far, consensus has reached in principle on most issues described above and consultations on technical parts and other details are under way. Because the talk focuses on international transactions, East Asian countries need to participate actively in the discussion and consolidate their tax system in accordance with the resulting consensus.

C. Increased Demand for Social Welfare

Recently, demand for social welfare in Korea has risen rapidly. Whereas the

growth rate of government budget during 1996~2000 was on average 9.9 percent, the average growth rate of social welfare spending increased to 17.6 percent, making the budget share rise to 8.1 percent in 2001 from 5.6 percent in 1996. These significant increases resulted from aging population, income growth and the introduction of the Minimum Living Standard Security Act.

Korea's aging population is growing at a faster speed than any other OECD member countries. Although the proportion of population over 65 years of age is currently about 7.3 percent, Korea will enter an aged society in 2022 as the proportion is expected to go up to 14.0 percent. The elderly ratio¹⁾ was 9.4 percent in 2000, much less than the OECD average of 19.6 percent, but is predicted to rise to 17.5 percent in 2020, and to 27.7 percent in 2030. This will put a downward pressure on fiscal balance because declining labor supply and saving rate will cause reductions in tax revenue when more welfare expenditure is needed.

Another source of increased social spending is the rise in the number of beneficiaries of the major social insurance regimes - public pension, national health insurance, employment insurance, and industry casualty insurance – whose framework was recently completed. In case of national pension plan, the scope for eligibility has been continuously extended to cover, as of October 2000, the whole labor population of 16.65 million. The eligibility for employment insurance and industry casualty insurance has been also expanded. In addition, the separation of medical and pharmacy service accompanied by an upward adjustment of government approved standard expenses led to a steep increase in medical service related public expenditure.

In recent years, the introduction of the Minimum Living Standards Security

1) Percentage of people over 65 years of age compared to people whose age is 15~64 years.

Act also brought about sharp increases in public assistance: the spending related to living standard guarantee was increased by 34.63 percent to 2.4 trillion won in 2000, when the new program was first introduced. It went up again by 19.61 percent to about 2.9 trillion won in 2001. It is the biggest social welfare program with the 35.5 percent spending share.

D. Environmental Protection

We need to significantly reduce social external cost, which results from excessive environmental pollution and traffic congestion. Industrial structures which induce wastes of resources such as energy, water and soil and which create a large amount of industrial wastes destroy nature's ecology and cause economic and social inefficiencies.

However, direct regulation induces producers to adapt to it only temporarily and does not provide them with a sustained incentive in developing clean production or pollution prevention technologies. On the contrary, environment friendly taxation can provide economic incentives in accomplishing resource savings and environment protection, while helping to invent more efficient production technologies.

In addition, by the green tax reform we are fulfilling our responsibility and obligation as a member of international community. As a more clean environment draws attention, passive and/or conservative approaches toward domestic environment problems can cost us more because unilateral environmental deterioration tends to create international trade pressure. This means that the adoption of carbon taxation in mid and long run is necessary to cut back greenhouse effect, which is becoming a major issue in international arena.

2. Basic Nature of Tax Reform

A. Tax Reform That Responds to Globalization

One basic goal of mid to long-term tax reforms is securing tax base. Tax competition resulting from globalization has led to substantial tax reductions. Hence, we should broaden our tax bases in order to finance rising fiscal needs stemming from aging population and rising demands for social welfare.

Securing taxable resources entails phasing out some of tax reductions and exemptions, comprehensive income taxation, fringe benefit taxation and the expansion of capital gains taxes. In the long run, reduction in the proportion of tax exempt labor income and also institutional reform in tax administration and other related area, which aims at broadening the tax base of the self-employed, are needed.

Because of a fierce competition for capital, if taxes on business activities are too high, capital will flow out of country while foreign capital will not flow in. Thus, capital taxes greater than those of competing nations are no longer appropriate. As for human capital, despite its relative immobility, tax burden on high quality labors should not be greater than other countries' tax burden when competition to attract high skilled labor is beginning to take its effect.

On the other hand, if tax burden on business is excessively low, tax base erosion could lead to the under-provision of necessary infrastructures, ultimately harming business environment. In other word, because mobility of both capital and labor is influenced by overall business condition, enhancing national competitiveness through an adequate funding is more important than a simple tax reduction.

To boost work incentive, restructuring tax burdens of different income group

should be encouraged. Low-income groups need to bear some tax burden but the burden should not rise as sharply as their income increases. Earned income deductions and personal allowances will alleviate their tax burdens. Alleviating a middle income class's tax burden through deductions of actual expenditure such as medical expense, education expense and etc may help to achieve the goal.

Restructuring tax rate structure to mitigate the progressiveness of labor income taxes is also necessary. A sudden tax liability increase arising from wage income rise can be avoided by appropriately adjusting marginal tax rate brackets to normal wage growth rate and inflation. To minimize work disincentives and simultaneously to discourage migration of high quality labor, marginal tax rates should be set at such level that is not higher than those of competing nations.

The simplified tax regime of VAT, which initially implemented to assist petty businesses, is now regarded more as a vehicle for tax relief/evasion, making it an ineffective policy instrument. Therefore, a more stringent eligibility standard will help the regime to function according to its original intent and will force businesses to reveal actual business transactions. In mid to long run, streamlining the VAT system, i.e., abolishing the simplified tax scheme, but maintaining the ordinary regime and tax waiver for petty transactions, will allow the VAT to perform normally.

B. Comprehensible Taxation

Making taxation comprehensible is an important direction for change. To accomplish this, existing number of taxes must be reduced by combing taxes that are more or less user charges and taxes that share similar characteristics

and by eliminating the earmarked taxes in surtax form.

Overlapping elements in different tax laws should be consolidated in the Basic Law for National Taxes and the structure of tax laws should be streamlined. Tax laws may be rewritten in such a sequence that taxpayers following the sequence can calculate their liabilities easily. Particularly, by writing in the order of general provision, taxable income, assessment standard, deduction and exemption, tax rate and tax credit, we can make the tax laws easy to understand. It is also necessary to unify various concepts used differently in different tax laws because inconsistent application makes taxation incomprehensible.

Frequent use of flowchart, graph, numerical formula and diagram will be helpful. We should refrain from such practices as using 'refer to' but encourage such practices as placing related texts at the end of sentence or, when quoting other tax law, posting the relevant provision in footnote or endnote.

In the long run, we should write tax laws in ordinary languages, as long as it does not sacrifice the precision of the meaning. It would be better if simple sentences are used by eliminating unnecessary texts or by transferring provisory provision to clause or sub-clause.

Complementary to comprehensible tax laws is the establishment of electronic tax administration for taxpayers' convenience by utilizing recent advances in information technologies which makes possible electronic process of tax filing, return and payment, etc.

C. Establishment of Green Tax Reform

There have been growing concerns for sustainable development, as illustrated by the World Summit on Sustainable Development which has

recently been held in Johannesburg, South Africa. For many decades, countries including Korea have been pursuing growth oriented economic policies. But, once the standard of living has improved, environmental protection tends to become an important issue. Consequently, various fiscal and tax reforms aimed at sustainable development have been implemented in many OECD countries. In particular, European nations have made a great deal of progress in this area. The basic goals of green tax reform are enhancing the quality of life through improving environmental quality, obtaining a sustained economic growth, and ensuring future generation to a high quality of life.

Green tax reforms needs to be simplified to maximize economic incentives by consolidating existing but complicated environment related tax system. It includes not only new environment taxes (carbon taxes or energy taxes) but also the reform of the already existing taxes and subsidies. Furthermore, when introducing new green taxes, we need to inform the public in advance and provide them with clear policy objectives to minimize tax resistance and to maximize policy effectiveness.

Proceeds from green tax reform that includes new environment taxes and/or reduction in environmentally harmful subsidies should be spent in a manner to meet specific economic, fiscal and environmental needs that each country faces. Especially, if the tax receipt is used according to the neutrality principle, i.e., to reduce other taxes, it will reduce efficiency losses resulting from the new taxes. Using the proceeds from green tax to reduce tax burden on labor, for instance, would help to relieve income inequity and unemployment, while improving environmental quality at the same time²⁾.

2) This is the so-called 'double dividend' effect of green taxes.

III. Tax Reform for the Globalization Age

1. Tax Competiton and Broadening Tax Base

A. Adjustment of Deductions & Credits

The basic thrust of income taxation reform must be ensuring an adequate and equitable distribution of tax burdens through a continuous broadening of tax base. The biggest problem of our labor income tax system is that 46 percent of all wage & salary workers earn the amount of taxable income, which is below the tax threshold. Fundamental solution to this problem requires a gradual reduction in the proportion of tax exempt wage & salary earners by narrowing down the extent of labor income deductions. The deductions were introduced to alleviate low-income group's tax burden and to maintain a balance with the self-employed and small business tax burden who usually under-report their income. However, the extent of exemption is by international standard unduly excessive.

◁Table 1▷ International Comparison of the Ratio of Labor Income Taxpayer(1999)

(Unit: %)

Korea	United States	England	Japan	Canada
54	83	80	80	83

Source: The ministry of finance and economy, Income tax division.

Wage and salary earners are allowed for both income deduction and income tax credit. Therefore, we need to consider an adjustment of deduction rate and the elimination of tax credit. Because abolishing tax credit will entail a substantial increase in low-income worker's tax burden, measures such as modifying deduction rate may be necessary to mitigate the effect. It is also necessary to incorporate the supplementary deduction for small families into the basic deduction. The former was introduced in August 1996 on the top of the basic deduction for the purpose of lowering the tax burden of a single or family of two. However, being a double deduction, it creates a disadvantageous effect for married couples.

The cap on special deductions for insurance premiums, medical payment, educational expense, etc. needs to be raised. Current educational expense deduction covers, with certain limits, admission fee, tuition and other related school charges paid on behalf of taxpayer, lineal ascendants/descendants, adopted children who lives in the same household, brothers and sisters (with 2 people limit). But considering the importance of education in knowledge and information age, it should be extended to other area of expenses, if they were paid for taxpayer's own education and for his/her dependents. With economy growing and aging society approaching, medical expense has risen substantially. However, only the portion of the medical expenses exceeding 3 percent of total income is deductible with a limit of 3 million won. We need to lower the amount from which deduction is allowed and increase the deduction cap.

<Table 2> Income Deductions for Global Income Taxpayers (1999~2000)

(Unit: person, million won, %)

Classification \ Year	1999		2000	
	Person	Amount	Person	Amount
Total	7,973,048	7,012,155	10,240,923	8,969,168
Personal Deduction	5,767,187	5,426,625 (77.4)	7,162,284	6,706,644 (74.8)
• Basic deduction	5,067,908	5,067,913 (72.3)	6,220,536	6,220,540 (69.4)
• Additional deduction	651,292	325,646 (4.6)	871,153	435,572 (4.9)
• Small family deduction	47,987	33,066 (0.5)	70,595	50,532 (0.6)
Special Deduction	232,097	326,225 (4.7)	505,015	753,532 (8.4)
Standard Deduction	1,609,968	965,996 (13.8)	1,926,393	1,155,866 (12.9)
Deduction under the TERCL	363,796	293,309 (4.2)	647,231	353,126 (3.9)

Source: The statistical yearbook of national tax, 2001

B. Capital Gains Taxation

Individual trading in stock market has increased significantly but taxation in this area is still in early stage of development: large shareholders' capital gain is taxed, whether the company is listed/registered or not. In the case of small shareholders, i.e., individuals, their unlisted/unregistered stocks are taxed at 20 percent rate (SME stocks at 10 percent) but no taxes is levied on the company stocks listed in the Korea Stock Exchange (KSE) or KOSDAQ. Therefore, for a more equitable tax burden, capital gains taxation on securities has to be steadily expanded.

To accomplish this, small shareholders must bear the tax burden on the capital gains from listed stocks. Secondly, we should gradually expand capital gains taxation to derivatives and bonds. Of derivatives, the trading volumes of stock index futures and options belong to world top class. Thus we could consider among others, levying capital gains taxes on these products.

As for bonds, because they are overwhelmingly traded over the counter and mark-to-market system is not yet established, it will be difficult to levy capital gains taxes on them within a short period of time. The existing securities transaction taxes with a low collection cost should be abolished once capital gain taxes on stocks are implemented in full scale.

<Table 3> Capital Gains Tax Rates

Classification				Tax Rate
Unlisted · Unregistered Stock	SME (issued) Stock			10%
	Large Firm Stock	Small and Large Shareholder (holding period > 1 year)		20%
		Large Shareholder (holding period <1 year)		30%
Listed · KOSDAQ Stock	Large Shareholder ¹⁾	SME Stock		10%
		Large firm stock	Holding Period > 1 Year	20%
			Holding Period < 1 Year	30%
	Small Shareholder ²⁾			Exempt

Notes: 1) Large shareholders are those with 3 percent or more voting shares or with market Value of more than 10 billion won

2) Small shareholders of listed or KOSDAQ corporation are taxed if the trade was done outside securities markets or association sponsored market (tax rate: SMEs 10%, large firm 20%)

C. Taxes on Fringe Benefits

Because fringe benefits are paid in return for providing labor service, it should be included in a taxable wage income accordingly. However, many of them are tax-exempt. This, in turn, tends to encroach tax base and undermine horizontal as well as vertical equity. Therefore, it is necessary to steadily reduce the scope of tax exemption on fringe benefits.

Taxing fringe benefits can be accomplished by combining fringe benefits with wages and salary income for tax purpose³⁾. Alternatively, it can be done by levying fringe benefit taxes on employers⁴⁾ or by denying employer's fringe benefit payments as deductible business expenses. Taxing at the company level can save collection cost but equity problem may arise because the same rate has to be applied to all workers. One solution to this problem could be introducing the regime in which fringe benefit is taxed at the individual level by withholding the taxes at the time of benefit payment and net income tax is settled at the end of year.

D. Adjustment of Tax Rates and Tax Base Brackets

Korea's highest marginal income tax rate is not as high as those of other OECD countries. Therefore, the maximum rate needs not to be adjusted downward at this moment. On the contrary, rescheduling of tax base brackets should be done in the near future: since the last rescheduling in 1996, we have not adjusted the existing 4 income tax brackets in accordance with recent wage

3) Most of OECD countries adopted this system as it corresponds to the ability-to-pay principle more than any other system.

4) Australia and New Zealand adopted this system

growth and inflation rates. Consequently, many taxpayers were forced to move into higher brackets.

In conclusion, we should broaden our income tax base by steadily reducing the scope of labor income deduction as well as income tax credit. At the same time, we have to adjust tax brackets lest the rapid nominal income growth should lead increases in tax burden.

◀Table 4▶ Global Income Tax Return by Tax Base Bracket (2000)

(Unit: person, million won, %)

Classification Tax Base Bracket	Tax Rate	Taxpayers		Taxable Income		Calculated Tax Amount	
			Ratio		Ratio		Ratio
Total		1,528,649	100.0	32,018,932	100.0	5,444,841	100
10 Million or Less	10	969,847	63.5	7,068,340	22.1	341,609	6.3
10 Million ~ 40 Million	20	426,796	27.9	10,898,466	34.0	1,301,870	23.9
40 Million ~ 80 Million	30	87,541	5.7	5,293,224	16.5	999,302	18.4
80 Million or More	40	44,465	2.9	8,758,902	27.4	2,802,060	51.4

Notes : Taxpayers with taxable income below tax threshold is excluded

Source : The statistical yearbook of national tax, 2001

2. Corporate Taxation in the Global World

A. Corporate Taxation under Tax Competition

With the rapid progress of globalization and the free international capital movement, there is growing tax competition among nations to attract foreign capital by providing favorable environment for investment. The tax competition takes various forms in many countries; lowering the corporate tax rates, simplifying tax structure, and introducing new items for reductions and exemptions.

Like many other countries Korea has an incentive to maintain low tax burdens on capital, which is supposed to accelerate the domestic capital accumulation, restraining capital outflow, and inducing foreign capital. But it should be noted that too much tax competition can make some distortions on the international capital movement and encroaches tax base. The OECD defines "harmful tax competition" as any attempt to deliberately interfere international financial flows and encroach other countries' tax base. It urges to make common efforts to prevent the extension of harmful tax competition.

Considering these situations, it would not be advisable for Korea to abolish the corporate tax or to radically decrease corporate tax rates. Rather it seems more practical to make rooms for the gradual decrease in tax rates by broadening tax base.

In the long run, we should be more focused on the issue of enhancing the tax-neutrality for the corporate tax reform. With all the disputes in the past, we did not yet reach the agreement on the problem of corporate tax incidence. So the current system of two-step progressive tax rates (15% and 27%) does not seem to be the best policy in terms of efficiency. Some policies, for example,

applying different tax rates or providing different scope of tax-reduction according to corporate income, or different tax treatment for the foreign firms, are likely to make adverse effects on tax revenue and to promote tax evasions. The best policy in the long run is to apply the same tax rate.

Another issue of corporate taxation in Korea is the problem of double taxation - taxing both on the net corporate income and on personal or corporate's dividend income. The current system of imputation method does not completely lessen the problem of double taxation. It dictates different treatment to different stockholders depending on whether they are individual, corporation or holding company. In the long run there should be no double taxation regardless of the type of stockholders.

Finally, we should mention quasi-tax, which includes various compulsory fees, charges and contributions to funds. These are not officially defined as 'taxes' but definitely cause burdens on business firms. Among the list of quasi-tax, some make positive effects on economy and society, while others do not. Should they be necessary, they must be incorporated into the tax system, while needless or outdated items must be abolished.

B. Corporate Tax Rates

Since 1980s, major advanced countries competitively lowered their corporate tax rates. The average corporate tax rate of OECD countries have decreased from 41.6 percents in 1986 to 31.4 percents in 1999.

In Korea there was a proposal of a decrease in the corporate tax rate about 2 percentage points in the second half of 2001. The opposition party insisted that a decrease in the corporate tax rate should boost up the economy and help the country to get out of the recession. Some public finance economists even went

further, maintaining the abolition of the corporate tax. But the government was concerned about the budget deficit and was not willing to decrease the tax rate. As a compromise, the corporate tax rate decreased by one percentage point in 2001.⁵⁾

There are several advantages for the abolition of corporate taxation. First, the business firms have reserve for more investment, which can provide vital force to the economy and enhance the potential for the economic growth. Second, it fundamentally solves the double-taxation problem. Third, the business firms can decrease its expenditure and prevent further deterioration of their financial situation.

If the abolition or decrease in the corporate tax rate indeed promotes firms' investment, the decrease in tax revenue may not cause many problems in the long run. But if this is not the case, the decrease in tax revenue poses big problems for the government budget. Therefore the following matters should be carefully considered.

First, the corporate tax rate in Korea is not so high compared to other countries. Many countries, including Japan, Germany, France, and Canada, recently decreased their corporate tax rates. But as we can see in <Table 5>, the highest corporate tax rate in Korea is 29.7%, including 10 percent local surtax, which is lower than many other countries. Moreover with many exemptions and reductions, the effective tax rate is under 23%, which is even lower than the nominal tax rate. It is true that some countries like Hong Kong (16%) and Singapore (25.5%) maintain lower rate than Korea. But it must be noted that they are city-countries that depends heavily on foreign capital and

5) For the tax base under 100 million won the corporate tax has been decreased from 16% to 15%, and for the tax base over 100 million won, from 28% to 27%. According to the current tax law, 10% surtax is charged as a local tax.

financial institutes for their governments' revenue. Hence the direct comparison could be misleading. The claim that the high corporate tax leads to lower competitive power of Korean firms does not seem to have solid ground.

<Table 5> Comparison of the Highest Corporate Tax Rates

(Unit: %)

	USA	Italy	France	Japan	UK	Germany	China	Canada	Korea
Tax Rates	35	36	33.3	30	30	25	30	27	27
Inc. Local Tax	40.8	40.25 ~ 44.5	36.44	40.87	30	38.6	33	34.12 ~ 46.12	29.7

Second, even with all the possible economic gains, we should consider the possible decrease in tax revenue resulting from the abolition of corporate tax. To compensate for the lost revenue, we either have to find new tax base or decrease the government expenditure.

For new tax bases we can think of (1) introducing a complete comprehensive income tax system which taxes all the income including dividend income (2) taxing parts of corporate income which does not belong to stockholders (3) raising other tax rates, such as VAT and property tax. But finding new tax bases is not an easy task. The above alternatives basically assume the system of comprehensive income tax and a complete establishment of the capital gains taxation system including tax on capital gains from securities transaction. To introduce comprehensive income tax system, all of the agents - household, firms and government should pay a large amount of administrative costs or tax-accounting costs. Increasing other tax rates may cause strong oppositions

from related groups of people; businessmen and the self-employed in the case of VAT, and the general population in the case of property tax.

It is almost impossible to decrease government's expenditure by a large amount. On top of that, Korean fiscal policy must bear the burdens of losses from public fund. In late 1990, the government raised 156 trillion won of public fund to overcome the financial crisis. It is estimated that 69 trillion won will not be recovered. The specific method of dealing with this lost fund is not determined yet, but the government is expected to bear a large portion of it.

Considering all these situations, it does not seem to be proper to abolish the corporate tax or substantially lower the tax rates as a means to enhance national competitiveness. Rather, it would be wise to gradually lower the tax rates, keeping pace with other countries' future tax cuts.

C. Introducing the Consolidated Tax Return System

There is a growing trend of setting international standard for the firm accounting system, and each country is making an effort to meet the international standard. The consolidated tax return system is such an example; more than two thirds of OECD member countries are adopting this system.

Having adopted the holding company system since 1999, Korea has not yet introduced the consolidated tax return system. The major reason for this reluctance is the prospect of large decrease in corporate tax revenue. Another concern involves the equity problem. The government concerns about the unequal tax treatment between large conglomerates and small and mid-size firms. It also raises a concern that some firms may use the consolidated tax return system as a means of tax evasion. Despite of all these unfavorable side

effects, it is expected that Korea will eventually introduce this system within several years to maintain the tax neutrality that make business decisions be motivated by economic rather than tax considerations.

There are two types of consolidated tax return system; the US type and the German-UK type. Out of these two, Korea must choose one that is simpler, easy to prevent tax evasion and closer to the current Korean corporate tax system. In terms of simplicity, the German-UK system is better. But underlying commercial laws, tax laws, tax customs of these two countries are so much different from those of Korea that it could cause considerable cost to the taxpayers and taxing authority. It also needs many meticulous measures to prevent tax evasion.

Despite of its complexity, the US type has the following merits; it emphasizes the unity of business conglomerate, and has theoretical advantages to handle such concepts as offsetting of loss against profit, loss deduction, and deferral of gain or loss to sister companies.

It is notable that Japan, which shares a similar corporate tax system to that of Korea, introduced the consolidated tax return system of the US type. Under the current system, it would be better for Korea to adopt the US type of the consolidated tax return system.

◁Table 6▷ Types of Consolidated Tax Return System in OECD Countries

Types	Countries
US Type	USA, Japan, France, Netherlands, Spain, Denmark, Portugal, Mexico, Luxemburg
German-UK Type	UK, Germany, Ireland, Austria, Australia, Sweden, New Zealand, Finland
Not yet introduced	Korea, Italy, Canada, Switzerland, Belgium

3. Sound Social Welfare Financing

The proportion of social welfare spending in Korea was 7.35 percents in 1997, which is lower than many advanced countries. But the welfare expenditure is expected to increase rapidly in the near future due to the population aging, increase in income level, and maturing welfare system. Under the assumption that the current welfare policies are maintained, it is expected that the size of government's welfare expenditure will reach 14.5 percents of GDP around 2020, and about 20 percents around 2030. In 2020s per capita GDP of Korea would be around the level of advanced countries of OECD in 1995. Likewise, the relative size of welfare expenditure of Korea in 2020 would be around those of the US (16.9% of GDP), Australia (18.6%), Canada (18.4%), and Japan (14.25%) in 1995.

<Table 7> Percentage of Old Population

(Unit : %)

	2000	2005	2010	2015	2020	2025	2030
Percentage of the Elderly	7.13	8.66	9.94	11.31	13.18	16.34	19.27

Source: Korea National Statistical Office website, <http://www.nso.go.kr/>**<Table 8> The Percentage Change of Welfare Expenditure(As Measured by Percentage of GDP) of OECD Countries (1990-1997)**

(Unit : %)

	Netherlands	USA	Sweden	New Zealand	UK	Japan	Canada	Korea
Change Rate	-12.2	12.2	4.7	-8.0	11.2	28.7	-4.5	60.9
1990	29.5	14.7	32.2	22.5	19.7	11.5	17.8	4.6
1997	25.9	16.5	33.7	20.7	21.9	14.8	17.0	7.4

Source: OECD, Social Expenditure Database, 2000

Once the full-scale payment of public pensions starts, it will grow rapidly. Around 2030 the portion of pension and security expenditure will take the largest part of the total social welfare expenditure (about 48.4%). That is, pension and security expenditure takes about 10 percents of GDP in 2030, which is larger than the OECD average in 1995.

Expenditures related to health, including health insurance, will take the second largest part of the social welfare expenditure in 2030 (6.4 percents of GDP). In sum, expenditures related to pensions and health will take 60~65 percents of welfare expenditure in 2030 and give considerable burden on government budget. With all these factors considered, a sound social welfare

expenditure system is of great necessity to keep the sustainable society. We must emphasize the importance of enhancing efficiency in the management of national pension fund and health insurance to maintain sound welfare system.

The budget problem of four major public pension funds, including national pension fund, has its root in the fundamental flaw of the "low burden and high benefit" system. The current benefit/income ratio is much higher than those of advanced countries. Therefore, lowering the benefit/income ratio is the first step toward the pension reform. We can lower the benefit/income ratio either by raising the premium rate or by lowering the pension allowance.

As for lowering the level of pension allowance, we have much room to go. A person with a forty-year pension plan, for example, receives 60 percent of his or her average wage after the retirement in Korea, while the average figure of OECD countries is only 40 percent. Some occupation-specific pensions have even higher benefit/income ratio.

Another way of alleviating budget problem is to defer the starting age of pension payments. Under the current system pension payment begins at the age of 60. It would be advisable to gradually delay the time of the first pension payment with some transitional period. Considering the rapid progression toward aging society, it will have additional effect of delaying the retirement age and raise the labor market participation of older generation.

A more fundamental solution can be obtained by strengthening the role of corporate and personal pension. In the aging society, it is hard to maintain the sound government budget without private pensions sharing the role of social safety net with public pension.

In the meantime, higher income and the procession of aging society will boost up the demand for health care. Like the case of pensions, we can alleviate government budget problem by strengthening the role of private health insurance.

With the enforcement of the Minimum Living Standards Security Act Program, public transfer payments will increase by large amount. To keep the budget problem in check, it would be better to enhance efficiency in budget system rather than increase the size of budget itself. Especially, preventing the beneficiary's moral hazard is an urgent issue. To achieve this goal we must enhance the effectiveness of earnings disregard, which will be in effect from 2003. In the long run, we must introduce Earned Income Tax Credit, making welfare policies and tax system to work together to maintain the work incentives.

4. Taxing E-Commerce in the Age of Information

The development of information technology has brought fundamental changes in tax environment. The problem of taxing electronic commerce comes mainly from the fact that it is not a face-to-face transaction; it is hard to identify the traders and the transaction itself. Therefore sometimes it is hard to apply the traditional tax system to the e-commerce. For example it is difficult to distinguish goods from services and the concept of the place of supply become ambiguous.

In 1998, OECD member countries reached to the agreement of not introducing any new tax on electronic commerce. They are making common efforts to redefine conventional concepts to be properly applied to the new environment of electronic commerce.

<Table 9> Taxation Principles of Electronic Commerce

Principles	Contents
Neutrality	Taxation should seek to be neutral and equitable between forms of electronic commerce and between conventional and electronic forms of commerce
Efficiency	Compliance costs for taxpayers and administrative costs for the tax authorities should be minimized as far as possible
Certainty and Simplicity	The tax rules should be clear and simple to understand so that taxpayers can anticipate the tax consequences in advance of transaction
Effectiveness and Fairness	Taxation should produce the right amount of tax at the right time. The potential for tax evasion and avoidance should be minimized while keeping counter-acting measures proportionate to the risks involved
Flexibility	The systems for the taxation should be flexible and dynamic to ensure that they keep pace with technological and commercial development

Source: OECD, "Electronic Commerce: Taxation Framework Conditions," July 1998.

We can list the following conceptual problems of taxation on the electronic commerce; the definition of permanent establishment, the classification of business income and fee, and determining the place of consumption, etc. According to the international principle of source country taxation, taxing non-resident's domestic income is allowed only when there is a permanent establishment. But in the case of electronic commerce, the permanent establishment is not readily recognizable. The OECD reached to the conclusion that if a server, whose main purpose is business activity, has been located at a specific place for a certain period of time, it is regarded as a permanent establishment.

The issue of classification of income is also related to the principle of source country taxation. According to the OECD Model Tax Convention prior to 2000, taxing on business income was possible only when there was a permanent establishment, but taxing on fee was possible regardless of the presence of a permanent establishment. The OECD Model Tax Convention in 2000 revised the rules so as to apply the principle of source country taxation to the fee too. But many tax treaties still allow the source country to tax on fees regardless of the presence of a permanent establishment.

In electronic commerce, the buyer has the right of copying and saving the downloaded digital good. Therefore it is hard to determine whether the money buyers pay for the digital contents should be considered as business income or fee. The OECD defines most types of transactions as business income, with the exception of using the copyright for the commercial purpose or transmitting unknown know-how.

As for the consumption tax, there is general consensus that the destination principle dictates the taxing jurisdiction. It is agreed that the place of consumption is the business location of consuming firm in a B2B transaction and the usual residence of consumer in a B2C transaction. But there still remains an ambiguity in the definition of the "usual" residence.

As for the collection of consumption tax, it is agreed to use the self-assessment/reverse charge method in B2B transaction and to temporarily use the method of registration in B2C transactions. The remaining issues centered on technical details for the practical enforcement of these principles. The technical issues include developing practical method for identifying the place of consumption and a technological development of tax collection mechanism.

As for the domestic electronic commerce, there is no special difficulties in

the tax-base management because the selling party takes the responsibility of filing tax return and the transaction mostly involves online payment or credit card. So most problems in electronic commerce are related to international transactions. By referring to the OECD arrangements, we expect there not be many problems in taxing electronic commerce in East Asian countries.

As far as income tax is concerned, it is likely that there is no need for revising domestic tax laws or tax treaties. But regarding VAT, we need some changes in tax laws for the effective taxation on digital contents in the future. It is necessary to define digital contents as service and clarify that it is indeed taxable service. Also we must clearly define the concept of place of consumption to clarify the taxing jurisdiction.

As for the time of supply of digital contents, we must decide which one is more proper; the moment of downloading the digital content or the moment of payment. We also have to decide whether to apply zero tax rates on some items such as books, newspapers and magazines when they are provided online. Currently VAT is not levied on them in their hard copy form.

In terms of tax administration, the National Tax Service in Korea introduced several new measures such as electronic tax invoice, electronic tax return and payment for taxpayer's convenience. By applying rapidly developing information and communication technology to the tax administration, the cooperation among three East Asian countries' taxing authorities can be strengthened and become more effective.

5. Tax Administration in the Global World

A. Increasing the Number of Bookkeepers

One of the problems in tax administration in Korea is the high proportion of tax returns by estimated income, which is basically an exceptional method of calculating tax amount. In 2000, the tax returns by estimated income took 53 percents of the total number of tax returns while the tax returns based on bookkeeping took only 42 percents. But in terms of revenue, bookkeeping taxpayers contributed 67.4 percents while taxpayers with estimated income paid only 20.8 percents. (see <Table 10>)

To maintain more equitable tax system, the taxing authority must make more effort to increase the number of bookkeeping taxpayers. Korean government recognized this fact and abolished the system of setting “Standard Income Ratio” in 2002. At the same time, the government gives an incentives to bookkeeping by introducing the system of “Basic Expenses Ratio”. Non-bookkeepers are required to provide necessary documents to prove basic expenses.

The current system distinguishes the taxpayers with an obligation of double-entry bookkeeping from the taxpayers who only have to maintain simple bookkeeping. As for the non-bookkeepers, taxpayers with revenue over certain amount in the past year must calculate their tax amount by applying the “Basic Expenses Ratio”, while taxpayers with revenue under the limit calculate their tax amount by a system similar to the former standard income ratio.

The tax authority provides many incentives for bookkeeping. If taxpayers keep the books, they can get 10 percent of deduction, and an exemption from the tax audit for two years. On the contrary if taxpayers under obligation do not

keep the books and file tax returns with the basic expenses ratio system, they get 10 percent penalty. Basically we need a system that the bookkeepers have an advantage over the non-bookkeepers by increasing the penalty for non-bookkeeping.

◁Table 10▷ Trend in the Number of Global Income Taxpayers

(Unit: person, %)

Types \ Year	1996	1997	1998	1999	2000
Number of Tax Returns ¹⁾	1,247,442	1,299,442	1,225,614	1,342,153	1,616,244
• Bookkeeping Taxpayers(A)	460,568	504,933	495,045	572,904	679,536
· Ratio (A/A+B+C)	36.9	38.9	40.4	42.7	42.0
• Tax Returns by Estimated Income(B)	765,172	769,726	717,950	748,762	856,124
· Ratio (B/A+B+C)	61.3	59.2	58.6	55.8	53.0
• Global Income Earner Except for Business Income or Real Estate Income(C)	21,702	24,783	12,619	20,487	80,584
· Ratio (C/A+B+C)	1.7	1.9	1.0	1.5	5.0

Note: 1) Excludes the those who do not pay taxes.

Source: Statistical Yearbook of National Tax, each year

B. Enhancing Transparency

The current system of simplified tax returns in VAT has lost its original goal of providing conveniences to small business. It is usually recognized as a

means for lessening tax burdens. With the abolition of the special tax system in VAT, the number of simplified taxpayers has somewhat decreased, but still it takes about 50 percents of total tax returns. (See <Table 11>)

We need to make the eligibility standards of simplified taxpayers very strict so that the simplified tax return system can achieve its original purpose of providing conveniences to small businesses. Strict standard will also help to make hidden tax bases public. In the long run, the simplified tax return system should be abolished so that there are two types of VAT payers, namely the general taxpayers and the exempt. To facilitate the transition, it is advisable to lessen tax burdens of the taxpayer who changes the status in the transitional period. Once the two-tier system is settled, we need to consider raising the limit of exemption, currently set at 24 million won.

<Table 11> VAT Return by Taxable Year

(Unit: in person, 100 million won)

	Taxpayers					Tax Base				
	Total	Corp.	General (Indv.)	Simplifi- ed (Indv.)	Special (Indv.)	Total	Corp.	General (Indv.)	Simplifi- ed (Indv.)	Special (Indv.)
1996	2,580,113	169,512	926,841	273,197 (10.59)	1,210,563 (46.92)	9,606,041	7,671,075	1,732,211	53,382 (0.56)	149,373 (1.55)
1997	2,930,116	192,333	1,004,852	490,034 (16.72)	1,242,897 (42.42)	10,859,827	8,816,471	1,751,835	132,579 (1.22)	158,942 (1.46)
1998	2,855,369	197,185	979,285	546,161 (19.13)	1,132,738 (39.67)	10,569,437	8,769,673	1,538,111	125,864 (1.19)	135,789 (1.28)
1999	2,998,956	232,474	1,059,109	586,800 (19.57)	1,120,573 (37.37)	11,717,850	9,598,884	1,821,606	158,356 (1.35)	139,004 (1.19)
2000	3,390,772	278,657	1,442,987	1,669,128 (49.23)	-	13,856,522	11,369,768	2,200,326	211,875 (1.53)	74,553 (0.54)

Note: Percentage in the parenthesis.

Source: Statistical Yearbook of National Tax, each year

C. Realignment of Tax Administration

With the introduction of global financial income taxation in 1996, Korean tax administration made a full-scale change into the tax-return base administration system. In September 1999, National Tax Service made a decisive reform represented by the abolition of region-base tax administration. In addition NTS has been able to compile more tax data with the introduction of the law requiring the submission of tax related data from government agencies and financial institutions. Increased credit card usage also helped NTS to get more information on tax base. To give a tax incentive to credit card users NTS introduced some measures like income tax credit to the credit card usage and began credit card lottery. These measures gave more transparency and predictability and have made many hidden tax bases public.

With all these success of administrative reforms we need some more effort to make solid tax-return base administration system. First of all, we need to abolish the system of basic expense ratio in the long run. Taxpayers sometimes evade taxes by comparing the gains from tax evasion and the penalty from getting caught. The basic expense ratio can provide a guideline to possible evaders.

The penalty tax for evasions can be an effective means to induce taxpayers to make voluntary tax returns. But the penalty tax rate is relatively low; the penalty rate for insincere payment is 20 percents of the tax amount due and the statute of limitation is 5 years. In contrast the US penalty rate for the same violation is 75 percents and the statute of limitation is lifetime long.

The penalty tax for evasion in VAT is also an important issue, but the related tax codes are too simple. We need more detailed tax codes regarding penalties.

New tax codes should include different treatments for different violations such as failing tax compliance and administrative obligations, insincere tax invoice, insincere tax returns, insincere payment. The current system is unfair in the sense that it applies different penalty rate to different taxpayers for the same violation; for example, individuals and corporate, and general taxpayers and simplified taxpayers have different penalty rate for the same violation. To improve fairness, the same violation should get the same penalty rate regardless of the types of taxpayers. In addition, a new penalty for not registering should be considered to induce the registration of exempt.

While keeping the principle of the same penalty for the same violation, we need to differentiate the penalty rate according to the degree of purposefulness. For example to prevent insincere tax returns for the purposeful fraud, Japan levies a penalty of 35 percents of the tax amount due, whereas France and UK levy penalties ranging 50 to 300 percents. Korean system needs to introduce heavier penalties to such behavior as failing to file tax returns more than twice. To the contrary, lower penalty rate will be enough for some minor violations like breaches of tax codes that is not directly related to the payment of taxes.

Under the current law, the place of tax payment of VAT is where the business establishment is located and aggregate payment by the headquarter is allowed in some exceptional cases. But with the progress of information and communication technology and the introduction of Enterprise Resource Planning, it is possible for headquarters to get comprehensive information on transactions of their branches. So it is advisable to change the taxing unit from business establishment to business group. Taxation based upon business place is a good system for the thorough control of tax bases but involves high administration cost. Changing the taxing unit will help enhancing effectiveness of tax administration.

The tax audit is a procedure that certifies the required conditions of taxation and plays a very important role in inducing taxpayers to fulfill their obligation. It is true that the tax audit has sometimes been abused by political reasons. As a result, not a few taxpayers doubt the fairness and the objectiveness of the tax audit, which in turn keep the tax audit from fulfilling its due role of inducing taxpayer's cooperation.

This is in part due to the fact that the tax audit does not have strong base in laws and from the lack of transparency in the selection of subjects of tax audit. There is no specific law that states the procedure of the tax audit. The tax audit system has been operated only based upon the administrative measures of NTS. The main concern of such measures was the administrative expediency and sometimes they did not realize the due process of law.

The directions for reform are evident; we need to provide the tax audit with clear base from laws. Tax laws must state, as concrete as possible, the principles of due process of the tax audit. With these revisions, Korean tax audit system can have transparency and predictability, and induce voluntary compliance of taxpayers while not violating basic rights of taxpayers. More empirical studies on the effects of the tax audit on taxpayers' behavior will also help refining the tax audit system.

6. Green Tax Reform and International Cooperation

The population growth and the economic growth focusing on outward expansion rather than the quality of life have caused the depletion of natural resource and destruction of environment, which in turn could cause a decrease in productivity and low economic efficiency. This fact suggests the possibility that a green tax reform can not only save natural resources but also enhance the

productivity by fostering low-cost and high-efficiency economic system. The green tax reform would lead to an improvement of environmental quality by way of providing incentives for investments on equipment and technology that prevents pollution.

Many countries, except for some EU member countries, have not actively introduced environmental taxes, mainly due to the concerns about losing competitiveness. But it should be noted that development of cleaner production technology itself could be an important factor determining international competitiveness.

If a strong green tax reform indeed makes some adverse effect on international competitiveness, we can think of a border tax adjustment, which levy matching taxes on the imported items from countries with less strong environment taxes. But making international agreements on the standard for the introduction and enforcement of environmental taxes would be more desirable way to enhance the environmental quality while keeping away from the competitiveness problem.

Currently, Economic and Social Commission for Asia and Pacific hold Ministerial Conference for Environment and Development for every five years. Representatives from member countries, including Korea, China, and Japan, participate and make common efforts to find out proper measures for the sustainable development at the international level. In East Asia, the demand for mutual cooperation of Korea, China and Japan is ever increasing, as we can see clearly from the example of the sandy dust from China, which could make considerable damage on Korea and Japan.

One example of the mutual cooperation is an international system of subsidy to investment for the anti-pollution facilities and technology in China. Another example is setting the lower bound of environmental tax rate that is commonly

observed by each country.

The current environmental tax system in Korea is composed of direct and indirect economic incentives, taxes on energy sources, local taxation, special treatment of taxation, and subsidy. We can summarize the current situations and the directions for future reform as follows.

First, there are five types of instruments that utilize economic incentive; emission charge, environmental quality improvement charge, waste deposit, waste treatment charge, water quality improvement charge. Most of these instruments have the characteristics of direct control, and as a result they do not satisfactorily meet the goal of improving environmental quality. To make a better system, we can think of converting these measures into the environmental tax while broadening the tax base. With this change we can make the incentive system to improve the environmental quality, more proper to the polluters-pay-principle, and avoid the double taxation problem.

Second, the energy taxes are primarily levied on fossil fuel; transportation tax are levied on gasoline and diesel, and special consumption tax on kerosene, LNG and LPG. The prime objective of the energy tax system has been to maintain low energy price, which was supposed to help stabilizing general price level and supporting some important industries. The low energy price results in over-consumption of scarce energy resources and overflowing of air-pollutants. Basically, we should make a energy tax system that the energy price reflects the negative externality, and the polluters should pay the social cost.

Third, the current local environmental tax system includes automobile tax, local motor fuel tax, common facilities tax, and regional development tax. Due to the complexity and low tax rate, they do not induce efficient use of resources. The most urgent item of reform is the automobile taxation. We must induce

positive environmental effects by substantially lowering taxes on possession and raising taxes on driving stage. Some parts of common facilities tax and regional development tax should be included in the environmental tax to make the tax system simpler.

Finally, it should be noted that tax exemption and subsidy has both negative and positive effects on the environment. Of course we should abolish subsidies that could make negative effects on the environment while some special tax treatments and subsidies with positive effects should be maintained. In the meantime, some of the public facility prices that are too low, e.g. the price of water and electricity, should be adjusted to the proper level.

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제3주제 토론 요약

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세 번째 발표는 매우 흥미로운 주제를 담고 있습니다. 송대희 원장께서 직접 쓰신 논문인데요, 한국에서 가장 중요한 이슈들을 제대로 다루고 있는 훌륭한 논문이라고 생각합니다. 이 논문을 읽고 저는 한국에서 진행되고 있는 조세개혁에 대해서 잘 알게 되어서 매우 좋았습니다. 송대희 원장의 논문을 보면 환경, 전자상거래 등 조세 분야에서 있어서 굉장히 중요한 부분을 다루고 있습니다. 이런 주제는 앞으로 더 우리의 관심을 끌게 될만한 주제라고 생각하는데 따라서 송원장님께서 우리가 폭넓은 토론이 진행될 수 있는 가능성을 열어주셨다고 생각합니다.

○ 토론: 井堀利宏 / 일본 東京大 교수

한국경제의 조세개혁에 대한 아주 훌륭한 논문입니다. 현재 세계화, 정보혁명, 노령화 등 많은 사회적 변화가 일어난 상황을 염두에 두고 논문을 쓰신 것으로 보입니다. 중장기 조세개혁을 때로는 협력적이지만 때로는 경쟁할 수밖에 없는 한·중·일간의 관계를 기초하여 검토하신 논문으로, 구성이 아주 잘 되어 있고 잘 쓰여진 논문이라고 생각합니다. 논문은 아주 분명하게 우리에게 굉장한 시사점을 줄만한 주제를 다루고 있습니다. 그리고 대부분의 논점이 일본뿐만 아니라 다른 국가들 즉, 세계화와 정보혁명, 노령화 그리고 환경의 문제가 점점 부각되는 국가들에게 적용될 수 있는 것이라고 생각을 했습니다.

이 논문은 여섯 개의 주된 이슈에 대해서 말하고 있습니다.

첫 번째는 조세부문에서의 경쟁과 세원의 확대에 관한 것입니다. 한국 소득세의 가장 큰 문제는 전체 근로소득자의 46%가 과세최저한보다 낮은 소

득을 얻고 있다는 것입니다. 그렇기 때문에 감세를 줄이는 것이 바람직할 것입니다. 공평한 조세부담에 직면해서는 주식에 대한 자본이득세의 징수가 계속해서 확대되어야 하고, 잉여이득에 대한 면세의 범위를 계속해서 줄여야 할 것입니다. 그리고 조세체계를 조정함으로써 조세부담의 증가를 막아야겠습니다.

송대희 원장께서는 소득세의 세원을 증가하기 위해서 근로소득세율을 낮추고 소득공제를 줄여야 한다고 주장하셨는데 이에 대해 동의합니다. 세원을 확대하고 한계세율을 낮추는 것이 소득세 개혁에 있어서 올바른 목표라고 봅니다.

이론적으로 세율이 높을수록 노동 노력과 저축 및 투자 측면과 관련하여 경제의 선택기회를 왜곡하는 측면이 있습니다. 노동공급이 좀더 유연하고 인적자본의 투자가 점점 부각되는 한국의 상황에서는 보다 중요성 크다고 생각합니다. 현재까지의 경험을 통해 볼 때 이러한 세제정책에 대한 인센티브가 어느 정도 되는지에 대한 실증적인 경험을 말씀해 주시기 바랍니다.

또 하나는 누진도의 정도입니다. 과연 완전 간접세가 올바른 것이라고 생각하시는지요? U자 형태의 한계세율 도입에 대해서는 어떻게 생각하시는지요?

두 번째는 세계화 시대에 맞는 법인세에 관한 것입니다. 논문에 따르면 한국이 법인세를 완전히 폐지하거나 아니면 기업세율을 급격하게 줄이는 것이 옳바르지 않은 것으로 설명이 되고 있는데, 그 대신에 세원을 확대함으로써 세율을 점진적으로 줄일 것을 제안하고 있습니다. 과연 이것이 현실적이라고 생각하시는지요?

법인세를 개혁의 측면에서 봤을 때, 수익과 무관하게 기업에게 과세하는 것이 정말 의미 있고 필요한 것이라고 생각하시는지 궁금합니다. 만약 급진적으로 법인세를 줄이는 것이 의미가 있게 하려면 정부가 좀더 다양한 그리고 폭넓은 개인소득세와 일반소득세를 과세해야 된다는 것이 제 의견입니다.

세 번째, 말씀하신 것이 건전한 사회보장자금 조달의 문제였습니다. 연금 개혁을 위한 첫번째 움직임은 수령/납부의 비율을 낮추는 것이며, 장기적으로는 근로소득공제를 도입해야 한다고 말씀을 하셨는데, 저는 어떻게 근로소득공제가 사회보장과 조세시스템 사이에 일관되게 균형을 가져올 수 있는지에 대해서 잘 이해가 되지 않습니다. 다시 말씀드리어서 이런 정책이 어떻게 완전중립을 유지할 수 있을 것인지 묻고 싶습니다.

네 번째, 전자상거래과세와 관련된 개념의 문제, 고정사업장을 어떻게 정의할 것인지, 기업소득과 수수료를 어떻게 분리할 것인지 그리고 소비의 위치 즉, 최종 소비지역을 어떻게 정의할 것인지에 대해서는 아주 좋은 지적이었고 많이 배울 수 있었습니다.

다섯 번째, 지적해 주신 내용 중 세계화시대에서의 어떻게 조세행정을 펼칠 것인가 하는 것인데, 한국의 조세행정문제 중 하나는 추계소득에 따라서 납세를 하는 비율이 매우 높다는 것입니다. 그렇기 때문에 더욱 공평한 조세시스템을 마련하기 위해서는 조세당국이 좀더 많은 노력을 기울여서 기장을 하는 납세자 수를 늘려야 할 것입니다.

개인소득세 측면에서 자영업자나 농민들이 상당히 낮게 세금을 신고하여 탈세를 한다는 문제가 있습니다. 이와는 반대로 봉급생활자들은 원천징수를 통해서 소득세를 납부합니다. 일본의 봉급생활자는 이러한 소득세 체계가 불공평하다고 불만을 늘어놓고 있는 실정입니다. 과연 이런 상황이 한국에서도 일어나고 있는지 궁금합니다. 이와 관련하여 납세자 분류번호를 도입하는 것이 도움이 되지 않을까요? 그러니까 납세자번호를 부여하는 것이 좀더 확실하게 과세를 가능하게 할 수 있지 않을까 생각합니다.

여섯 번째, 환경친화적인 환경세 개혁에 대해서 말씀하셨는데 이것은 자연자원을 우리가 보전하는 것뿐만 아니라 저비용 고효율 경제시스템을 마련함으로써 생산성을 늘리는 데 기여할 수 있을 것으로 봅니다. 좀더 좋은 시스템을 만들기 위해서는 이러한 수단, 이를테면 오염원 방출에 대한 요

금, 환경개선 요금, 쓰레기 관련 요금 이런 모든 것을 세원 확대와 동시에 환경세로 정하는 것이 필요하다고 하셨는데 이 의견에 대해 동의합니다. 그리고 이러한 환경세 개혁은 세수를 그냥 늘리는 것이 아니라 바로 과거 시장경제에서 생겨났던 문제를 해결하는 데 좀더 초점을 맞춰서 이뤄져야 한다고 생각합니다.

이외에 두 가지 더 구체적으로 말씀드릴 게 있습니다. 첫째는 부채정책에 관한 것입니다. 조세개혁을 평가하기 위해서는 정부예산의 요구사항을 고려하는 것이 중요합니다. 만약에 부채정책이 가장 이상적으로 선택된다면 경제는 아주 이상적인 성장패턴을 따를 것으로 예상됩니다. 그러나 부채정책을 제대로 마련할 수 없다면 대안으로 자본에 대한 이상적인 세율을 마련하는 것도 가능할 것으로 봅니다. 또한 앞으로 이러한 부채정책과 관련하여 구체적으로 고려할 필요가 있다고 봅니다.

두 번째 질문은 정부가 부채에 직면했을 때, 조세부담을 낮출 경우 이것은 단기적으로 별로 많은 영향을 주지 못하는 경우가 있습니다. 납세자들은 지금 당장 조세가 낮춰진다고 해서 더 많이 돈을 쓸 것이라고 예상되지 않습니다. 또 조세개혁의 거시경제적인 효과는 지출개혁효과와 아주 밀접하게 연관될 가능성이 있기 때문입니다. 만약 납세자들이 조세에 의한 공공지출이 공평하게 사용된다고 믿게 되면 많은 조세를 부담할 의지가 생길 것입니다. 이런 경우라면 조세개혁의 거시경제적 효과가 크겠죠. 하지만 이와 달리 정부지출이 정치적인 이유 등으로 인하여 낭비되고 있다고 생각한다면 세금을 내지 않으려고 할 것입니다. 그렇게 되면 조세개혁의 거시경제적 효과는 지연될 것입니다.

그렇기 때문에 공공지출개혁의 문제와 조세개혁의 문제를 연관시키는 것이 매우 유용하다고 생각합니다. 일본의 경우 휘발유세의 수입을 도로건설에 사용한 예가 있는데 이에 대해서 어떻게 생각하시는지 말씀해 주셨으면 좋겠습니다.

○ 토론: 錢 晟 / 중국 人民大學 재정금융학원 부원장

21세기는 글로벌시대이며, IT시대입니다. 경제의 글로벌화가 진전되고 생산요소 특히 자본의 국제적 이동이 빈번해짐에 따라 국가간에 외자도입을 위한 조세경쟁이 치열해지고 있습니다. IT기술이 발달하고 전자상거래가 발달하면서 새로운 조세환경이 도래하고 있습니다. 한국조세연구원의 송대희 원장의 논문은 이러한 환경 변화를 수용해서 한국의 세제개혁방향을 제시하고 있습니다. 본 논문은 아시아국가 세제개혁의 하나의 지표가 될 것으로 믿습니다. 본 논문은 주로 3가지 측면에서 한국 세제개혁을 논하고 있는데 첫째, 환경, 경제 및 사회라는 3가지의 요소의 협조 및 발전을 강조하고 있으며 둘째, 한국의 재정수요와 현 단계에서의 세계 조세개혁의 추이를 고려하면서 한국적 세제개혁을 모색하고 있으며 셋째, 한국의 세제개혁은 협력과 경쟁의 원칙을 주로 하고 있다는 것입니다.

한국의 경우도 일본과 마찬가지로 이제는 노령화 사회로 진입하였다고 생각됩니다. 향후 한국의 사회복지예산에 상당한 부담이 있을 것으로 예상됩니다. 이에 따라 한국의 사회보장제도가 안정적이지 못할 가능성이 있는데 이에 대하여 질의하고 싶습니다.

그리고 한국은 신용카드 사용비율이 최근에 아주 급격하게 상승한 것으로 알고 있습니다. 이는 카드이용액에 대한 소득공제제도란 인센티브제를 도입했기 때문으로 알고 있습니다. 신용카드사용액에 대한 소득공제제도와 그 효과에 대하여 알고 싶습니다. 이는 중국에도 시사하는 바가 클 것이라고 생각합니다.

한국의 세제는 간편성 및 고효율 목표와는 상당한 거리가 있는데, 이를 어떻게 개선할 것인지 질의하고 싶습니다.

마지막으로 환경 문제 및 지속발전 가능성 문제는 모든 나라가 겪고 있거나 겪게 될 문제이어서 모두가 관심을 가지고 있는 분야입니다. 여기에 대한 송대희 원장님의 고견을 듣고 싶습니다.

○ 답변: 송대희 / 한국조세연구원 원장

井堀利宏 교수께서 법인세율을 줄일 때 만약 정부가 다른 대체수단을 발견할 수 있다면 법인세율을 급격하게 낮추는 것도 가능하다고 말씀하셨습니다. 그 의견에 대해서 저도 동감을 합니다. 중·장기적으로 보았을 때 법인세율을 좀더 낮추는 것도 고려할 필요가 있다고 생각합니다. 그런데 여기에는 보완할 수 있는 대체적인 세원을 확보할 수 있어야 한다는 전제가 있어야 합니다.

한국의 경우 1997년에 경제위기를 겪었습니다. 당시 공공부채 비율이 10%에서 20%로 상승하였고, 10년 내에 다시 20%에서 30%에 육박하는 수치로 상승될 것이라고 생각하고 있습니다. 따라서 공공부채가 늘어나고 있다는 점을 고려한다면 법인세 인하는 다른 대체할 만한 세원이 없을 경우 바람직하지 못하지만 만약 대안을 찾을 수 있다면 고려할 만하다고 보고 있습니다.

그리고 근로자들의 인센티브와 관련해서는 근로소득공제(Earnings Disregard) 제도에 대해서 말씀을 드렸습니다. 그런 제도가 최소생활 수준의 유지를 위해 국민기초생활보장법에서 보장이 되어야 된다고 말씀을 드렸던 것인데, 예를 들어보겠습니다. 한국 정부가 실업가정에 월 700달러를 최소한으로 보장해 준다고 가정을 해보겠습니다. 이러한 상태에서 실업가정이 월 400달러의 수입을 올리게 된다면 정부는 월 300달러만 지원해준다는 것입니다. 총수입이 최소 수준인 월 700달러가 되도록 하는 것입니다. 일을 하건 일을 하지 않건 정부에서 월 700달러는 보장을 합니다. 근로자에게는 근로수입만큼 이 700달러 한도 내에서 정부지원금으로 세액을 깎아나가는 것입니다. 그렇게 된다면 굳이 일할 필요가 없다는 문제가 제기되고 도덕적 해이가 일어날 가능성이 있습니다.

근로소득공제제도를 도입한다고 했을 때, 만약 400달러의 수입이 실업가정에 생겼다면 정부가 300달러를 지원해주고 400달러를 모두 감세하는 것

이 아니라 250달러나 300달러 정도로 총액에 못 미치는 금액을 감면받는 방식으로 하면 되는 것입니다. 정부의 지원은 총액인 700달러 기준이 아니라 900달러 기준이 되는 것이죠. 이렇게 하는 경우 근로소득공제제도 인센티브 역할을 할 수 있을 것이라고 생각하고 있습니다.

납세자번호와 관련된 이슈에 대해서는 일본에서는 납세자등록번호를 부여하는 것에 대해 검토하고 있는 것으로 알고 있습니다만 우리나라는 개인 소득세에는 주민등록번호를 활용하고 있습니다. 그렇기 때문에 대통령선거에 나오는 후보들도 주민등록번호를 통해 납세의무를 다 했는지를 확인할 수 있을 정도가 되었습니다. 기업만 보더라도 사업자등록번호를 보유하고 있습니다. 그런데 이런 법인등록번호가 유럽에서 사용되는 것과 비슷한 형태로 사용이 되고 있다고 봐야 할 것입니다. 물론 부분적으로는 개선해야 될 필요가 있지만 이와 같은 주민등록번호 제도는 유효한 의미를 갖고 있다고 보고 있습니다.

공공사업과 같은 경우에는 관련된 문제가 있습니다. 농림수산부나 교육부 등 각 정부부처에는 농특세, 교육세 같은 할당된 세액이 있습니다. 그런 세목에서 교육이나 교통부문에 대한 공공지출이 나오고 있는 것인데 이 때문에 정부가 예산편성을 하는 데 불균형이 존재한다고 인정합니다. 따라서 한국조세연구원에서는 이 같은 사전에 할당된 농특세 및 교육세와 같은 목적세를 없애는 방향으로 나가기 위해서 노력하고 있습니다.

錢晨 교수는 노령화 사회로 인해서 한국의 사회복지예산에 상당한 부담이 예상된다고 지적하였는데, 제가 발표논문을 통해서 말씀을 드렸습시다만 사회보장 혜택에 대한 공제부분의 비율을 낮출 필요가 있다고 생각합니다. 즉, 선진국과 비교해서 보자면 한국시스템은 개혁해야 될 여지가 충분히 있습니다.

한국은 연금 납부금은 낮고 수령액은 큰 모순적인 상태를 유지하고 있습니다. 이와 같은 사회보장제도를 개혁할 필요가 있습니다. 제도를 만들 때

는 20~30년 후에 어떤 결과가 발생할지를 충분히 고려하지 않은 상태에서 그 당시 국민들에게는 얼마나 사회안전망을 보장할 수 있을 것인가 하는 단견을 가지고 있었고, 또한 정치적인 고려에 따라 연금제도를 만들었기 때문에 이런 일이 생긴 것 같습니다.

그렇기 때문에 사회보장제도가 안정적이지 못하게 되었습니다. 그래서 지출 대비 납입금에 관한 불균형이 생겼습니다. 이런 시스템을 도입하기로 한다면 어떤 시스템이든 대단히 주의해서 만들 필요가 있습니다. 그런데 일단 시스템을 만든 상태에서는 이를 개정한다든가 올바르게 개선한다는 것이 대단히 어렵게 됩니다.

신용카드 사용과 관련해서 한국은 상당히 성공적으로 신용카드를 이용할 수 있게 되었다고 평가하고 있습니다. 신용카드 사용금액에 따라서 공제를 해줄 뿐만 아니라 신용카드복권제도도 운영하고 있습니다. 즉, 무작위로 복권추첨을 해서 신용카드 사용자들이 상금을 받을 수 있도록 하고 있습니다. 그 결과 신용카드 사용 비율이 1999년부터 계속 빠른 속도로 늘었습니다. 그래서 이번에 신용카드 사용공제 혜택을 계속해서 유지할 수 있도록 세법을 개정하였습니다. 이렇게 되면 지하세원이 노출되는 결과를 가지고 올 것입니다.

종합토론

○ 사회: 송대회 / 한국조세연구원 원장

마지막 세션을 시작하겠습니다. 전반적인 문제들이 활발히 토론되기를 기대합니다. 토론내용의 중복을 피하기 위해서 주제를 네 가지 영역으로 분류하겠습니다.

첫 번째는 동아시아 3국의 소득세 개혁, 두 번째는 소비세 개혁이며 세 번째는 환경세 개혁, 마지막은 중앙정부와 지방정부의 재원배분에 관한 문제입니다. 끝으로 공동의 주제인 ‘과연 우리가 어떻게 협력을 공고히 하여 조세전문가로서 서로에게 도움이 될 수 있을 것인가’ 나아가 동아시아 3국이 어떻게 서로 도움을 줄 수 있을지에 대해 마지막 주제로 토론해 보기로 하겠습니다.

○ 토론: 郭泰元 / 서강대 교수

동아시아 국가들이 공통적으로 당면하고 있는 중요한 재정문제는 재정 건전성 확보의 문제라고 생각합니다. 그리고 이 문제에 대한 대응전략으로 ‘넓은 세원과 낮은 세율’이 거론되고 있는 것은 타당한 방향이라고 생각합니다.

특히 소득세의 세원 확대와 관련해서 공제와 면세를 줄여야 한다는 주장에 동의하면서 그것이 필요한 이유를 한 가지 말씀드리고자 합니다. 근로자들 중에서 소득세를 전혀 내지 않는 사람의 비율이 일본은 약 25%라고 했지만 한국의 경우 근로자나 사업자의 약 절반 정도는 소득세를 전혀 부담하지 않습니다. 저는 매우 명목적인 금액일지라도 이들 대부분이 소득세를 부담하도록 개편하는 것이 필요하다는 생각을 가지고 있습니다. 그렇게 하는 것이 세수 증대에는 대단히 괄목할 기여를 할 것으로 기대하지 않습니다.

다. 그러나 공공선택론적 관점에서 보면 정부의 지출 확대가 모든 투표자들의 주머니에 연결되도록 하는 것이 상당히 의미 있고 유효한 견제장치가 될 것이라고 믿습니다. 모든 국민들이 재정정책 결정에 방관자가 아니라 참여자가 되도록 하는 것은 방만한 재정운영을 견제하는 데 일조할 것이라고 생각되기 때문입니다.

한국의 법인세도 유사한 문제점을 가지고 있습니다. 한국의 법인세는 매우 다양한 감면제도들을 가지고 있으며 또 2단계 누진세율 구조를 가지고 있습니다. 이러한 제도들 때문에 한계세율이 평균세율보다 매우 높다는 특징을 나타냅니다. 한계세율이 높기 때문에 자원배분의 왜곡효과는 큰 반면 평균세율이 낮아서 실제 세수는 크지 않게 되는 문제가 나타나는 것입니다. 법인세를 정상화하는 기본적인 방향으로 감면을 대폭 축소하고 2단계 세율 구조를 단일세율구조로 단순화하는 것이 필요하다고 생각합니다.

물론 장기적으로는 법인세를 완전히 폐지하는 방안까지 검토해야 할 것입니다.

○ 토론: 田近榮治 / 일본 一橋大 교수

개인소득세와 관련하여 어떠한 측면을 우리가 주의해야 할 필요가 있는지에 대해서 말씀드리고자 합니다. 우선 개인소득세 분야에 있어서 소득균형과 관련된 적절한 대책이 필요하다는 것입니다. 이 같은 이슈는 아주 오랫동안 우리가 토론해 왔던 주제이기도 합니다. 분명한 것은 자본소득에 대해서 누진세로 세율을 적용한다는 것은 불가능에 가깝습니다. 그리고 세계화로 인해 자본이익에 대해 포괄과세할 수 있도록 범세계적인 단위에서 수정한다는 것이 불가능합니다. 그렇다면 근로소득은 어떻습니까? 근로소득에 대한 과세는 한계세율기준으로는 올라가고 있지 않습니까? 거기에 대한 답변은 두 가지가 될 것입니다.

먼저 인센티브를 어떤 시각에서 보는가에 따라 답이 달라질 수 있다고

생각합니다. 노동공급과 한계세율을 비교해 보면서 나올 수 있다는 것이죠. 여기서는 아직까지 논쟁이 확립되지 않았다고 생각합니다만, 우리가 아직도 한계세율을 50% 내지 60%로 잡아놓고 노력해야 되는 것인가에 대해 생각할 수 있겠습니까. 인센티브와 관련해서 한계세율을 적용하면 이 같은 의문이 발생할 것입니다.

그리고 좀더 주의해서 조세회피와 관련된 사항에 관심을 가질 필요가 있습니다. 세금을 내지 않기 위해 더 많은 노력을 기울이는 상황이 벌어지고 있습니다. 때문에 근로소득세를 과세함에 있어서도 한발 앞서서 납세회피를 하지 않을까 하는 가능성도 고려해야 된다는 것입니다. 우리가 개인소득세를 볼 때 소득분배에 어느 정도 기여할 것인가를 고려해 본다면 그렇게 많이 기여하지 못한다는 점에서 조세회피와 관련된 사항을 검토해야 된다고 생각합니다.

다음으로 형평성의 문제에 대해서 생각할 필요가 있습니다. 일본의 경우도 그렇고 한국도 아마 그럴 것이라고 사료됩니다. 평등성 문제는 공제제도를 통해서 해결하고 있습니다. 그러나 어떤 경우에는 공제가 지나치게 많다고 판단됩니다.

공제를 공여하기보다는 빈자들에 대해 더 많은 혜택을 주는 방향으로 나가야 될 것이라고 하신 것에 대해 저는 공감합니다. 제가 생각할 때 세금이 소득분배에 미칠 수 있는 긍정적인 역할에 대해서 지나치게 강조할 필요는 없을 것 같습니다. 하지만 평등에 대한 문제는 적절한 방향으로 대응되어야 할 필요가 있을 것 같습니다.

○ 사회: 송대회 / 한국조세연구원 원장

개인소득세에 있어서 현재 전 세계의 추세는 세율은 넓히고 세율은 낮추는 것입니다. 하지만 중국의 많은 봉급생활자들은 공제액이 비교적 적고, 대학을 갓 졸업한 자의 월급은 공제한도를 넘어서고 있습니다. 기본적으로

공제한도액이 최저생활수준입니다. 중국 개인소득세의 세수비중은 6%에 불과합니다. 따라서 재정수입에 대한 기여도는 제일 낮지만 소득분배를 조절하는 기능은 아주 뚜렷합니다. 그래서 지금 중국에는 개인소득세에 대한 토론이 활발합니다. 비교적 낮은 소득을 가지고 있는 월급생활자들이 개인소득세 밖으로 배제되고 있습니다. 이러한 세원은 넓히고 세율은 낮추는 문제가 중국의 발전과정에서 국제사회와 연결되는 데에 있어 문제점이라고 생각합니다.

두 번째 주제로 넘어가 보도록 하겠습니다. 조세개혁에 있어서 소비세 분야에 대해서 토론해 보겠습니다.

○ 토론: 尹建永 / 연세대 교수

전자상거래에 대한 과세정책을 어떻게 할 것인가라는 것이 중요한 주제가 될 것입니다. 여기에는 많은 작업이 선행되어야 한다고 생각합니다. 田近榮治 교수님이 지적하였듯이 중국에는 소비세가 매우 중요하며 특히, 세수 확대를 위해 큰 역할을 할 수 있다고 봅니다.

중국의 부가가치세는 제조업을 주된 과세대상으로 삼고 있으며 제조업을 제외한 부문, 특히 서비스업부문에 대해서는 영업세가 부과되고 있어 소비세 체계가 정비되어야 할 필요가 있어 보입니다. 소비세가 산업의 영역에 따라 다른 형태를 취하면 조세체계가 일관성을 상실하고 소비세제도 사이에 균형을 이루기 어려워지는 문제가 발생할 수밖에 없습니다.

중국은 제조업을 제외한 부문에 대한 영업세를 부가가치세로 대체하여 소비세제도를 부가가치세 중심으로 재편하는 것이 좋을 것으로 생각합니다. 소비세제도를 부가가치세 중심으로 일원화하기 위해서는 많은 노력이 필요합니다. 그러나 두 가지 소비세를 병존시키는 것보다 소비세를 부가가치세 중심으로 일원화하는 일이 더 중요하다고 생각합니다.

한국과 일본의 소비세 및 소득세의 세율을 살펴봤습니다. 한국의 경우 부

가가치세율은 10%이고 일본은 5%밖에 되지 않습니다. 그리고 한국의 소득세 최고한계세율은 개인의 경우 39%, 법인은 29%입니다. 그런데 일본은 개인 50%, 법인 40%입니다. 양국간에는 상당히 차이가 있으며 양국의 세율구조를 대비해 보는 것이 재미있을 것 같습니다.

일본에 비해 한국은 부가가치세를 통해 많은 세금을 거두고 있는 반면 법인세나 개인소득세의 조세수입 비중은 낮은 편입니다. 만약 일본이 조세정책수단을 통해 경제에 활력을 불어넣을 필요를 느낀다면 부가가치세를 높이고 법인 및 개인소득세의 한계세율을 낮추는 것이 어떻겠습니까? 일본에서 소비세를 높이는 일은 정치적으로 매우 위험하다는 것을 알고 있습니다. 만약 그렇다면 부가가치세율을 높이면서 소득세율을 낮춘다면 정치적 부담을 줄일 수 있지 않을까요?

그리고 錢 晟 교수님이 신용카드와 관련된 세제감면혜택에 대해서 말씀해 주셨습니다. 한국에서는 신용카드를 통한 감면혜택이 세원의 노출을 유도하여 조세회피를 줄이는 데 상당히 효과적인 수단으로 사용되고 있습니다. 우선 부가가치세의 회피를 줄일 수 있다는 점에서 긍정적인 역할을 하고 있습니다.

또한 부가가치세는 조세행정의 흐름을 볼 때 소득세의 선행조세이기 때문에 부가가치세 세원이 확대되면 소득세 세원도 늘어날 수밖에 없습니다. 그렇기 때문에 신용카드 사용의 장려는 소득세의 탈세를 방지하는 데에도 도움이 됩니다. 중국도 이와 같은 한국의 경험을 참고하면 좋을 것이라 생각합니다.

마지막으로 오늘 소득세와 관련해서 많은 토론을 했습니다만 사회보장제 또는 사회보장기여금을 소득세와 함께 연관지어 보는 노력은 많지 않았다고 봅니다. 대부분의 사회보장제도는 거의 모든 국가에서 소득의 이전수단으로 사용되고 있습니다. 따라서 나중에 돌려 받을 돈이라는 생각 외에 부분적으로는 구체적인 반대급부가 없는 조세로 인식되는 경향이 있습니다.

특히 중소기업의 고용주는 사회보장기여금을 세금과 다를 게 없다고 인식하는 경향이 있습니다. 한국의 많은 중소기업 경영자들뿐만 아니라 외국의 경영자도 이와 비슷한 생각을 가지고 있을 지도 모릅니다. 만약에 사회보장기여금의 일부를 세금과 합쳐서 본다면 한계세율은 우리가 일상적으로 생각하는 것보다 훨씬 높아지게 됩니다. 따라서 소득세정책을 다룰 때 사회보장제도의 기여금 중 조세로 인식되는 부분을 함께 고려하는 것이 필요하지 않을까 생각합니다.

○ 토론: 劉 佐 / 중국 국가세무총국 세수과학연구소 부소장

부가가치세의 유형에 있어서 중국의 부가가치세는 한국, 일본과는 많이 다릅니다. 중국은 생산형 부가가치세 제도입니다. 즉, 납세자로부터 구입한 고용자산에 대해 납부한 부가가치세는 소비에서 공제를 받지 못한다는 것입니다. 이것은 투자와 기술의 진보 그리고 수출한 후의 환급에 불리하게 작용을 하는 것입니다. 그래서 다음 단계의 중국의 세제개혁에서 부가세 분야의 개혁은 바로 생산형 부가세제도를 소비형으로 전환하는 것입니다.

중국의 부가가치세율은 17%로 조금 높은 편입니다. 한국은 10%, 일본은 5%로 알고 있습니다. 그래서 조금 내릴 필요가 있다고 생각합니다.

중국의 부가가치세가 작년의 경우 세수에서 차지하는 비중이 39%로 아주 높았습니다. 부가가치세가 생산형에서 소비형으로 전환됨과 아울러 부가가치세율이 하락함으로써 또한 기타세 세수 특히 법인세와 개인소득세의 증가로 인해서 중국의 부가가치세가 전체 세수에서 차지하는 비중은 점차 하락할 것으로 생각됩니다.

○ 토론: 全周省 / 이화여대 교수

다른 분들께서 소비세에 대한 현실적인 문제를 다 말씀해 주셨기 때문에

저는 다소 이론적인 견해를 밝히고자 합니다. 소비세는 세수를 확대시킬 여지가 매우 높기 때문에 많은 나라에서 소득과세를 대체하거나 보완할 대안으로 고려하고 있습니다. 그런데, 소비세에 대한 대표적인 반대의견은 이것이 누진세구조가 아니기 때문에 형평성에 문제가 있다는 것입니다. 그러나, 소비세가 이러한 형평의 관점에서 반드시 열등한 세제만은 아니라는 점을 말씀드리고 싶습니다.

소득세 누진도를 살펴보면 대부분 국가에서는 누진도가 매우 낮습니다. 따라서 소비세의 타당성이 더 커졌다고 말씀드릴 수 있습니다.

우선, 최근 들어 대부분 국가에서는 소득세의 누진도가 낮아졌습니다. 따라서 소비세 세율체계의 역진성 문제가 과거에 비해 상대적으로 완화되었다고 말씀드릴 수 있습니다.

또 하나, 중요한 문제는 소비가 소득보다 담세능력의 보다 정확한 측정치가 될 수 있다는 가설입니다. 일반적으로 소득은 일생 동안 불규칙적이기 쉽지만, 소비는 대체로 평준화되는 것이 보통입니다. 따라서, 소비를 기준으로 과세하는 것이 특정 납세자의 생애주기의 관점에서는 보다 형평한 과세 방식일 수도 있습니다.

나아가, 소비과세는 단순하기 때문에 기존의 소득과세가 초래하는 각종 비효율에서 벗어날 수 있다는 것도 중요한 점입니다.

아울러, 앞으로 국가간 자본 이동이 더욱 활발해질수록 자본소득에 대한 과세가 어려워질 것입니다. 이럴수록 상대적으로 국제 이동이 힘든 소비의 과세베이스로서의 중요성이 부각될 것입니다.

石弘光 총장께서 말씀하셨듯이 형평성의 문제 즉, 젊은 세대와 노령세대 간의 형평성의 문제를 제기할 수도 있지만 소비세가 어떤 의미에서는 지불 능력에 따른 좋은 납부수단이 될 수 있다는 것입니다. 소비가 안정적이고 완만한 곡선을 이룬다면 면제라든가 공제에서 오는 문제들을 다 없앨 수가 있기 때문에 소비세가 좋은 의미를 가질 수 있다고 판단됩니다.

田近榮治 교수가 지적한 점에 대해서 언급을 하자면 자본소득에 대해서는 세금을 부과하는 것이 매우 어렵습니다. 그렇기 때문에 매출이 증가할 수 있는 방식으로 소비세가 이용될 수 있을 것 같습니다.

○ 사회: 송대회 / 한국조세연구원 원장

이제 환경세에 대한 조세개혁 분야로 우리의 관심을 옮겨보도록 하겠습니다.

○ 토론: 韓相國 / 한국조세연구원 연구위원

매년 봄에 발생하는 황사를 보면 두 가지를 생각하게 됩니다. 하나는 평상시보다 환경에 대한 관심이 고조된다는 점이고, 또 하나는 황사문제는 한 나라의 문제가 아니라 우리 모두 특히 한·중·일 삼국의 공동 문제라는 것입니다. 인구증가와 양적 팽창 위주의 경제성장은 자원고갈과 환경 파괴를 초래하며 이는 다시 생산성 저하와 국제경쟁력 약화로 이어지고 있음을 알고 있습니다. 따라서 환경친화적 세제개편을 통한 자원절약 및 생산성 증대로 저비용·고효율의 경제·사회체계를 구축함으로써 국제경쟁력을 제고시킬 필요가 있습니다. 이를 위해서는 환경오염방지 시설 및 기술개발에 대한 투자의 인센티브를 제공하는 방향으로 세제를 개편함으로써 환경의 질 개선을 유도해야 할 것입니다. 환경세 부담에 대응하기 위해 청정생산기술 및 효율적 생산방법을 개발하는 것도 국제경쟁력을 결정하는 중요한 요소임을 주지할 필요가 있습니다. 특히 한·중·일 삼국의 환경문제는 서로에게 많은 영향을 끼치는 중요한 문제이므로, 환경친화적 세제개편은 한·중·일 삼국의 협력이 우선적으로 필요한 분야이며, 나아가서는 공동연구가 필요한 분야라고 생각합니다.

○ 토론: 石弘光 / 일본 一橋大 총장, 일본정부 세제조사회 회장

앞으로는 환경세 개혁이 대단히 중요한 의미를 갖게 될 것입니다. 현재 지구온난화 문제라든가 대기오염, 수질오염 등 오염 문제가 너무나 심각하기 때문에 더욱 중요해질 것으로 보고 있습니다. 환경세, 탄소세 등 이런 형태의 세금은 유럽국가들만이 도입했다는 것을 알아야 합니다. 즉, 1980년대 유럽국가들이 탄소세를 도입했습니다. 그런데 이와 유사한 환경관련세가 도입된 것은 그 이후입니다.

이제는 이러한 1단계, 2단계를 거쳐서 3단계 환경세 제도가 도입될 시점에 와 있다고 생각합니다. 다행인지 유감인지 모르겠지만 한국, 일본, 중국의 3국은 이 분야에 있어서 가장 후진적입니다. 즉, 새로운 세제의 도입에 있어서 앞서나가지 못한 상태라고 생각합니다.

우리가 이 같은 환경세 도입을 고려함에 있어서 반드시 생각해야 할 점은 완전히 새로운 형태의 탄소세 같은 것들을 도입할 때 기존의 세제구조를 이용하지 않아야 된다는 것입니다.

즉, 기존시스템에서 완전히 새로운 방식으로 이전을 하는 것입니다. 일본의 경우 환경세 도입이 가진 장점과 단점에 대해 연구를 하고 있습니다. 석유세를 도입하는 데 있어서 환경보호라는 것을 전제하고서 진행을 해야 한다는 것이죠. 즉, 석유세를 새로운 형태의 환경세나 탄소세 쪽으로 전환시킬 수 있다면 이상적일 것이라고 생각합니다. 그러나 정치적인 문제를 해결하는 것은 대단히 어려운 일일 것입니다. 정치인들은 모두 다 도로를 늘리고 싶어합니다. 때문에 특히, 집권 자민당과 같은 경우는 이해관계자 집단들이 석유세를 환경세로 전환시키는 것에 반대할지 모릅니다.

그런데 교토 프로토콜에 서명을 하게 된 이후, 러시아를 포함하는 선진국들까지도 서명을 해야 되는데 국제규약에 서명을 한 이후에는 탄소배출을 엄격하게 통제하기 위해 노력을 기울일 수밖에 없다는 것입니다. 이렇게 되면 탄소배출을 줄이기 위한 유효한 수단이자 최후의 보루로서 환경세 제도

가 남게 됩니다. 일본은 한국, 중국과 마찬가지로 세제수단을 이용하는 것만큼 효과적인 방법은 없다고 인식을 하게 되었습니다. 향후 몇 년에 걸쳐 유사한 형태의 조세제도를 도입해야할 필요성이 있다고 동의하고 있습니다.

그런데 미국이 어떻게 대응할 것인가? 즉, 일본의 의견에 동의할 것인가 아니면 반대할 것인지에 대해서는 예의주시할 필요는 있을 것입니다.

○ 사회: 송대회 / 한국조세연구원 원장

조세개혁의 마지막 분야는 지방정부의 조세와 관련하여 井堀利宏 교수님께서 말씀해주시기 바랍니다.

○ 토론: 井堀利宏 / 일본 東京大 교수

중앙정부의 자원을 지방정부가 공유할 수 있도록 하는 것이 중요하다고 봅니다. 일본의 경우는 지방정부에게 보조금을 제공하는 것이 구체적으로 명시되어 있지 않습니다. 하지만 모든 것이 정치적 과정에 의해 결정되는 경향이 짙습니다. 그리고 일본의 지방정부는 특정 세율을 나름대로 결정할 수 없기 때문에 중앙정부의 지원금에 의존하는 상태입니다. 따라서 중앙집권의 완화가 필요하다고 생각합니다.

세원을 중앙정부에서 지방정부로 이전하는 것이 바람직하지만 모든 문제를 해결할 수 있는 것은 아니라고 생각합니다. 중앙정부에 따른 모든 세원을 형평성의 측면에서 제대로 해결할 수 있어야 될 것입니다.

○ 토론: 王朝才 / 중국 재정부 재정과학연구소 부소장

1994년 분리되기 전 중국의 중앙정부와 지방정부의 재원배분 문제는 지방세의 비중이 매우 높았고 중앙세의 비중은 낮았습니다. 지금은 중앙세의 수입이 훨씬 높아졌고 지방세 수입이 조금 줄어들었습니다. 그러나 일본이

나 한국과 비교해 봤을 때는 중국의 지방세 비중은 아직은 낮다고 하겠습니까.

중앙과 지방과의 권한분리 문제의 경우 중국의 현 상황하에서는 아직도 중앙으로 집중되어야 한다고 생각합니다. 왜냐하면 중국은 지역간 격차가 대단히 큼니다. 똑같은 수준의 공공제도를 전국적인 범위로 실시한다면 이것은 대단히 어려운 문제입니다. 상하이의 경우 1인당 GDP가 4천달러에 이르지만, 서부지역의 낙후된 지역은 4백달러에도 미치지 못합니다. 그래서 공공서비스를 제공하는 데 있어서도 중앙정부가 이러한 소득의 격차를 고려하지 않을 수 없습니다.

중앙으로의 권한 집중이 지방정부의 지방세수에 대한 권한을 없앤다는 의미는 아닙니다. 지방정부의 세수권한은 분명히 존재합니다. 일본과 마찬가지로 지방정부는 입법권은 없지만 세수선택권한은 있습니다. 이것이 우리가 다음에 취할 정책 중의 하나입니다. 즉, 각 지역의 특성에 따라 세수정책을 실시하려고 합니다.

중국의 상황 가운데 한국, 일본과 또 다른 점은 중앙정부와 지방정부의 세수를 나누는 데 있어서 법제화가 제대로 이뤄지지 않았다는 점입니다. 중국의 지방정부는 지방정부가 지방세를 징수하여 두면 중앙정부가 이것을 가지고 간다고 불평을 합니다. 이는 법제화가 아직 제대로 이뤄지지 않았다는 것입니다. 그래서 이 분야에 있어서는 좀더 노력을 해서 개혁해 나갈 것입니다.

○ 사회: 송대회 / 한국조세연구원 원장

네 가지 항목에 대해서 모두 검토해 보았습니다. 이제 종합토론회의 마지막 주제는 3국간의 협력 분야가 되겠습니다.

○ 토론: 王朝才 / 중국 재정부 재정과학연구소 부소장

이번 심포지엄에 초청해주셔서 많은 것을 얻을 수 있었습니다. 향후에도 우리는 계속해서 여러분들과 교류하기를 기대합니다. 한상국 박사께서 말씀하셨듯이 황사현상이 발생하기만 하면 3개국이 모두 피해를 보았습니다. 때문에 조세정책에 있어서도 3개국이 함께 교류를 하는 것은 필요하다고 생각하며 이것은 모두에게 이익이 될 것입니다.

이런 측면에서 오늘 송대회 원장께서 말씀하셨듯이 예를 들면 3개국의 재정 및 조세 전문가들이 매년 만나서 교류하는 방식을 펴나가는 것도 좋을 것 같습니다. 중국 대표단은 이 문제에 대해 토론을 했는데 앞으로 적극적으로 고려하기로 하였습니다. 중국과 한국이 이러한 교류를 더 추진했으면 합니다. 적당한 시기에 중국에 오셔서 오늘 토론한 것과 같은 많은 문제에 대해서 의견을 나눌 수 있기를 기대합니다.

○ 토론: 田近榮治 / 일본 一橋大 교수

이렇게 만나질 동안 저희가 세미나를 하면서 같은 문제를 어떻게 삼국이 공유하고 해결해 나가는지를 보고 감동을 받았습니다. 한국의 소득세나 법인세는 일본과 비교하여 훨씬 낮은 수준이고, 부가가치세 비율은 10%로 일본보다 높다는 사실이 제게는 중요한 의미로 다가왔습니다. 제가 생각하기에는 이러한 사실들을 가지고 조세개혁을 하는 출발점으로 삼아도 좋을 것으로 생각합니다.

소득세의 경우 한 나라만의 문제가 아니고 모든 국가에게 해당이 되는 이슈라는 점에서 의미가 있다고 봅니다. 그리고 중국이 국내에서의 세율을 하나로 통합하기 위해 노력하고 있는 점에 저희는 아주 많은 관심을 가지고 있습니다. 그리고 중앙정부와 지방정부와의 이슈 그리고 사회보장제도와 관련된 이슈들을 살펴본다면 같이 공감할 부분이 많았다고 생각합니다.

일본이 앞선 경험을 가지고 있는 분야가 일부 있다는 것은 인정합니다만 그것이 반드시 좋은 것은 아니라고 생각합니다. 이제 문제를 함께 풀어나가기 위해서 노력을 해야 될 때가 왔다고 생각합니다. 그리고 세계문제에만 집중하는 것이 아닌 좀더 폭넓게 조세 전반에 관한 문제에 관심을 가지고 사안을 다루어야 할 것입니다.

○ 토론: 윤건영 / 연세대 교수

우리는 굉장히 빠르게 변하는 세상에 살고 있으며 많은 이슈와 문제에 직면하고 있습니다. 그리고 이러한 이슈들은 매우 중요합니다. 그리고 오늘 아시아 차원에서 중요한 논의가 이루어졌다고 생각합니다. 이러한 문제들이 3국에 시사하는 바가 크고 우리가 이를 통해서 얻을 수 있는 가치는 매우 크다고 생각합니다.

이러한 심포지엄의 개최는 시간과 비용의 측면에서 봤을 때 효율적이라고 생각합니다. 그래서 진심으로 이러한 형태의 회의를 자주 갖자는 제안에 대해서 찬성합니다. 최소한 1년에 한번 정도, 가능하다면 1년에 2번이면 더 좋을 것입니다. 그리고 앞으로 이와 같은 심포지엄에 참석할 수 있는 기회가 오기를 바랍니다. 그래서 중국과 일본의 재정학자들과 더욱 진지한 토론이 이루어지기를 기대합니다.

○ 사회: 송대회 / 한국조세연구원 원장

이제 한국조세연구원의 개원10주년을 기념하는 심포지엄을 마치도록 하겠습니다. 오늘 한국, 일본, 중국 3국의 조세·재정전문가 여러분들이 모여서 여러 가지 변화하는 환경에 대해서 살펴보았습니다. 오늘 아침에 제가 신문에서 Globalization과 관련된 기사를 읽었습니다. Globalization 효과가 우리가 기대했던 것에 크게 못 미쳤다는 것이었습니다. 동유럽과 서유럽 그리고

북미, 남미는 Globalization에 있어 더 나아지지 않은 반면에 아시아 국가들은 Globalization을 통해서 큰 발전을 하였다는 것입니다. 즉, 경제에너지 분야에서의 개선이 있었다는 것입니다.

그러나 이러한 현상은 사실 서로 상충되는 면도 있다고 생각됩니다. 일본이나 한국, 중국 3국은 현재 Globalization으로 인해 많은 어려움을 겪고 있는 것이 사실이기 때문입니다. 즉, 아시아의 문화가 서구의 문화와 다르기 때문에, 동양의 기준이 세계표준과 다르기 때문에 어려움을 겪고 있는 것입니다. 따라서 동아시아 3국이 세계표준을 고려하여 맞추어 나가기를 기대하고 있습니다.

그러나 이런 것들은 쉬운 일이 아닙니다. 오늘 우리는 조세개혁 관련 토의를 하면서 모든 환경의 변화를 고려하였고, 세제분야에서의 경쟁이 대륙간, 국가간에 있다는 것을 살펴보았습니다. 한국, 중국, 일본 3국만 보더라도 서로 경쟁을 하고 있는 관계라고 생각을 합니다. 세제분야에서 경쟁을 하고 있고, 일본뿐만 아니라 한국도 정부부채부문이 상당한 문제로 대두되어 있습니다. 즉, 정부부채의 증가가 작은 문제가 아닌 매우 중요한 문제로 부상하였습니다. 중국도 마찬가지입니다.

그리고 납세자들은 정부가 효율성을 가지고 있으며, 적절한 서비스를 제공한다고 판단했을 때에만 납세의 의무를 기꺼이 이행할 것입니다. 때문에 납세자들이 높은 생활수준을 요구하고, 환경문제 개선 등을 기대하고 있다는 것을 생각해야 할 것입니다.

경쟁과 함께 저항이나 순응의 문제도 있을 것이라고 생각합니다. 그런데 우리가 변화하는 환경에 대외적 또는 국내적으로 적응해 나가는 과정에서 해결해야 될 과업들은 결코 쉬운 것들이 아닐 것입니다. 그러나 서로 긴밀하게 협력한다면, 서로의 지혜를 하나로 모을 수 있다면, 서로의 경험과 연구결과를 하나로 모을 수 있다면, 이 같은 문제들을 쉽게 해결할 수 있을 것입니다.

특히, 동아시아도 이런 문제를 해결하고 세계에서 선도적인 위치를 차지할 수 있게 되리라 생각합니다. 그래서 이러한 3국간 논의가 매우 의미 있었습니다. 앞으로도 서로에게 이익을 가져올 수 있는 방향으로 진행되기를 기대합니다.

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