

RESEARCH ON TAX BURDEN OF TRANSPORTATION AND STORAGE INDUSTRY IN CHINA

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Abstract: Using traditional methods to evaluate the tax burden level of Transportation and Storage Industry has some great defect; this paper used Modified Method of the Excess Profits to evaluate the tax burden level of Transportation and Storage Industry in China, and found that the tax burden of Transportation and Storage Industry is heavy. By analyzing the problems of the existing tax policy in Transportation and Storage Industry, we proposed appropriate countermeasures.

1 INTRODUCTION

Transportation and Storage Industry is the most fundamental and most important part of modern Logistics Industry. As a new producer services, modern logistics industry has become the accelerator of promoting economic development, the State Council will take logistics industry included the top ten revitalization plan in 2009. In order to fully implement the "plan" and to promote the development of Transportation and Storage Industry, the government should take some effective fiscal policy support measures for the development of Transportation and Storage Industry. The state's tax preferential policies should build on the correct evaluation of the tax burden in Transportation and Storage Industry, and reasonably determine the strength of support in order to achieve better results.

With the changes of the economic environment, some existing tax system has not suited to the development of Transportation and Storage Industry, these problems have become one of the bottlenecks of the development of Transportation and Storage Industry, the tax system needs improvement.

In China, research on the tax burden of the Transportation and storage industry and the problems in tax policy has great practical significance, and the domestic research is very little.

2 THE ANALYSIS OF THE TAX BURDEN OF TRANSPORTATION AND STORAGE INDUSTRY IN CHINA

The traditional evaluation method is to use tax income (expense) account the proportion of Industry value-added (or profit, income) to evaluate the tax burden. Usually, by comparing the tax burden of the various sectors and the social macro tax burden, you can come to the conclusion that the tax burden of the industry is high or low.

According to the China Federation of Logistics & Purchasing statistics, the rate of profit of Transportation and Storage Industry is lower than the community average, and in recent years, the average rate of profit of Transportation and Storage Industry decreased year by year. Because of the industry characteristics, Transportation and Storage Industry needs many appropriate infrastructures, and the characters of these facilities are a large investment, long cycle and low rate of return. The industry characteristics of Transportation and Storage Industry determine that it cannot bear a heavier tax burden. For Transportation and Storage Industry which has a very low rate of profit, using the traditional method to evaluate the tax burden,

may lead to the wrong evaluation results.

Based on the evaluation index of the tax burden by traditional method, we take the social average profit margin as a frame of reference, and use Transportation and Storage Industry profits to revise the traditional evaluation index. So as to better and more accurately reflect the actual tax burden of transportation and storage industry, to provide the objective reliable theoretical basis for the national policy.

Marx's "political economics" mentioned that "investment in all sectors the same as the profits made should be the same, which formed a so-called social average profit margin, which is the result of competition between departments. It makes the inconsistencies between the various departments disappear, thus forming the average profit margin." Because of each department's profit margins, the capital will be taken away from the lower margins department, and put into other higher margins departments. According to the level of profit margin, the capital allocation between different sectors will form a proportion between supply and demand, so that different production departments will have the same average profit margin. Based on this, the Modified Method of the Excess Profits added the industry factors, the margins of various departments that mentioned in Marx's "political economy".

The Modified Method of Excess Profits' evaluation as follows:

(1) Calculate the average profit margins of the total assets of all industries

(2) Calculate the profit margins of the total assets of Transportation and Storage Industry

(3) Calculate the theoretical profit of Transportation and Storage Industry:

The theoretical profit of Transportation and Storage Industry = the total assets of Transportation and Storage Industry × the average profit margins of the total assets of all industries

(4) Calculate the Excess profits of transportation and storage industry:

The Excess profits of transportation and storage industry = the actual profit of Transportation and Storage Industry - the theoretical profit of Transportation and Storage Industry

The Excess profits is negative, the actual profit margin of this industry is lower than average profit margin for all industries.

(5) Calculate the Tax liability of transportation and storage industry

The Tax liability of transportation and storage industry = the average Tax liability of transportation and storage industry + the Excess profits of

transportation and storage industry

The average Tax liability of transportation and storage industry = the total profits of Transportation and Storage Industry × the average level of tax burden of all industries

The average level of tax burden of all industries = the total Tax revenue of all industries / the total profits of all industries

(6) Evaluation of the tax burden of Transportation and Storage Industry

Comparing the Tax liability of transportation and storage industry with the actual amount of tax paid of transportation and storage industry, if the actual amount of tax paid of transportation and storage industry is more than the Tax liability, then the Tax burden is higher; if the actual amount of tax paid of transportation and storage industry is less than the Tax liability, then the Tax burden is lower.

According to the related data of the National State-owned enterprises from 2006 to 2008, we use Modified Method of the Excess Profits to calculate the tax burden of Transportation and Storage Industry. The calculation process and the results are shown in Table 1.

Table 1: Evaluation of the tax burden of Transportation and Storage Industry Unit: billion yuan.

item	2006year	2007year	2008year
Net rate of the total assets of all industries	2.95%	3.77%	2.40%
Net rate of the total assets of transportation and storage industry	1.22%	2.08%	0.74%
Excess profits of transportation and storage industry	-686.38	-721.92	-943.68
The average level of tax burden of all industries	1.15	1.00	1.47
Tax liability of transportation and storage industry	148.26	609.92	-127.51
The actual amount of tax paid of transportation and storage industry	605.20	862.40	889.50
The Excess amount of tax paid of transportation and storage industry	456.94	252.48	1017.01

Source: It was calculated from the data in the "China Financial Yearbook (2009)"

It can be seen from Table 1: Considering the industry profit margins, transportation and storage industry from 2006 to 2008 the tax burden is very high.

Since January 1, 2009, China implemented the new "The provisional regulations on VAT of the PRC"(State Council Decree No. 538), allowing general VAT taxpayer offset the amount of input tax

contained in the new purchased fixed assets; for small-scale VAT taxpayers, the VAT tax rate from 6% and 4% reduced to 3%. It's better for an industry which subject to VAT, because its turnover tax burden will be a certain level of reduction. The main business of transportation and storage industry all belong to tax category of business tax, do not enjoy the preferential of transformation of value-added tax; to begin in 2009, the tax burden of transportation and storage industry will rise further.

3 TRANSPORTATION AND STORAGE INDUSTRY TURNOVER TAX REVENUE SYSTEM SHORTCOMINGS AND COUNTERMEASURES

The problem posed by the Chinese tax system is one hand of the reasons that caused the higher tax burden of transportation and storage industry; this needs the deep-seated tax reform. China plans to implement a series of tax reform during "12th Five-Year", including optimize VAT and business tax revenue system; expand the scope of VAT collection.

The shortcoming of the existing tax system is another hand of the reasons that caused the higher tax burden of transportation and storage industry; this can be done by improving the tax system. Under the assistance of China Federation of Logistics and Purchasing, we have done a lot of research about some enterprises of transportation and storage industry, did some in-depth analysis on the experience of tax issues, and found that current tax policy needs to improve in many areas. In accordance with China's current tax system, the taxes that transportation and storage industry involves are business tax, stamp duty, deed tax, property tax, land use tax, land value increment tax, urban maintenance and construction tax and education surcharge, travel tax and corporate income tax. In China, the total business turnover tax spends about 90% of tax expenditures, so this paper only consider the most important part of turnover tax, and the urgent need to address the issue of improving the tax system in the transportation and storage industry.

3.1 All Kinds of Business Income Apply Different Taxable Items and Tax Rates in Transportation and Storage Industry

According to the current taxation policy, according

to the transportation business tax items, enterprise in developing transport business pay 3% of the business tax taxable services; enterprise in developing the storage, loading and unloading, distribution business pay 5% of the business tax taxable services. Modern enterprise characteristic is to provide the comprehensive, integrated service, various businesses context-sensitive, has been difficult to distinguish the transportation and warehousing and partial income. And with the development of modern logistics, transportation and warehousing and other business will be further integration. In Transportation and storage industry, all kinds of business income apply different taxable items and tax rates, on the one hand are not conducive to the integration and development of logistics industry, and on the other hand are not conducive to the national tax collection and management.

According to the Third National Economic Census data shown that the margin of warehousing operations is only 2.6%, not only lower than the industry average, also lower than that of the road transport industry. Storage business tax rate is 5%, higher than the transportation industry, which not only violates the principle of tax fairness, will lead to the production operation of the financial outflow from the storage industry and undermine the balanced development of the logistics industry.

We propose to reduce the business tax rate of storage business, take the rate of transportation business as the reference, unified business tax rate of transportation and storage industry to 3%, which reflects the tax is fair, but also to facilitate tax collection and management.

3.2 The Threshold of Logistics Tax Pilot Enterprise is Too High

Since 2005, China began to carry out the logistics revenue pilot, the State Administration of Taxation has approved six pilot batch of logistics enterprises to effectively solve the problem of duplication sales tax in Pilot enterprises, reduce the tax burden, strongly support for the logistics industry. But only 593 enterprises became the pilot enterprises, there are two provisions of the basic conditions for tax pilot logistics enterprises, so many companies do not have to declare the tax status of pilot enterprises:

(1) The taxpayers must have the right to draw VAT invoices themselves, and have transportation, warehousing and other outsourcing business.

The new "PROVISIONAL REGULATIONS OF THE PEOPLE'S REPUBLIC OF CHINA ON

BUSINESS TAX " stipulates that "taxpayers will be sub-contracted transport services to other units or individuals, to obtain all of its consideration and other charges net of the payments to other entities or individuals the balance of the transport costs Turnover." For logistics companies in the transportation business, even if no qualified pilot enterprises, and indeed the difference between the taxes according to the logistics industry are a more serious tax duplicate storage business. Simply engaged in the storage business, do not need to bring their own means of transport logistics, business requirements of the pilot eligibility requirements from billing taxpayers just so many logistics enterprise storage pilot enterprises do not have the basic conditions for taxes. Logistics revenue pilot enterprises effectively solve the problem of duplication sales tax, reduce the tax burden, strongly support for the logistics industry. The eligibility requirements that the pilot enterprises from billing taxpayers need to have are inconsistent with the purposes of logistics tax the experimental work, for those who do not need or do not have the means of transportation logistics company owned serious injustice.

(2) Corporate business tax last year and the additional amount actually paid no less than one million.

Large-scale logistics business will achieve this standard, the annual turnover of at least 1.8 (1/5.5%) million, or 3.03 (1/3.3%) million. In fact many small businesses need logistics support of national policies, the provision of logistics enterprises is not conducive to fair competition.

We propose to abolish the basic conditions for pilot enterprises of logistics in the tax business from billing taxpayers for eligibility requirements in order to review in accordance with recognized national standards for Grade A logistics company; to cancel the most recent year for logistics companies actually paid the business tax and the additional amount of not less than one million request.

3.3 Provisions that Taxpayers can Draw VAT Invoices Themselves Limit The Development of the Transportation Industry

According to the existing provisions, taxpayers who can draw VAT invoices themselves can pay the sales tax at the rate of 3% only when providing transportation services; otherwise they should pay the sales tax at the same rate as the service industry, which the rate is 5%. To obtain the qualifications for

self-billing taxpayers must have vehicles themselves. There are principle of territoriality limits to the vehicles owned by self-billing taxpayers, in some place self-billing taxpayers are asked to have a certain numbers of local vehicles by the tax department, in some other place, the amount of invoices is decided by tonnage of each vehicle, but the amount cannot meet the business needs of the freight invoice.

Many transportation companies need to operate their business across the country. A feature of modern transportation enterprise is that they should cooperate with each other, integrating operations and developing network management. Many enterprises which equipped with few or no vehicles integrate social resources, such as individual vehicles. Cooperation is the feature of modern business which makes obtaining the eligible of self-billing taxpayers become difficult. Taxpayers should pay the sales tax at the rate of 5% which is the rate of service industry without the eligible of self-billing; what's more, ordinary VAT payer cannot deduct the input tax. The current standards for self-billing taxpayers do not meet the characteristics of modern business.

In this paper, we propose to relax the standard of "self-billing the taxpayers ". Firstly, cancelling the geographical restrictions of the registration of vehicles and all the vehicles owned by the taxpayers can be counted regardless of where the vehicle registers; secondly, cancelling the rule that the vehicles owned by branch offices of group enterprises should be calculated separately. Assessing group enterprises by its total number of vehicles, without requiring each branch have their own vehicles; thirdly, cancelling the requirements of the number of vehicles owned by taxpayers, and drawing the invoices according to actual revenue.

3.4 The Transformation of VAT Relatively Increase the Tax Burden of Transportation and Storage Industry

Since January 1, 2009, China begin transform production-based vat tax into consumption-based vat, which allowing general VAT taxpayers deduct the input VAT of their new purchased fixed assets. After the transformation of vat, these taxpayers' turnover tax burden will be generally reduced. As all operations taxation of the transportation and storage industry belong to the business tax levy category, that lead no discount from the reform, so the tax burden for relevant enterprises relative and fixed assets purchasing costs both relatively increased.

However transportation and storage accounts for a high proportion in the management process of the fixed asset investment. In National top 10 key industry adjust revitalization plan, except Modern logistics, the other nine industry all belong to the business tax levy category, which means get discount from the reform. But only modern logistics suffered discrimination in tax policy.

Here is a suggestion that while purchasing new fixed assets, the transportation and storage industry enjoy the same treatment as the general VAT taxpayers, that is to say allowing logistics using the containing in the new purchased fixed assets (machine, machinery, transportation tools and other equipment and instruments for production and operation etc.) deduct the current business tax, and the redundant VAT can be deduct the next business tax.

4 THE GOAL OF CIRCULATING TAX FOR CHINESE TRANSPORTATION AND STORAGE INDUSTRY REFORMATION

The further goal of the tax system reform of China is to increase VAT taxation range. The range of existing VAT in China covering sales, processing, repair and other services, however, transportation and storage industry and other service industry which closely related to goods trade is not included in the scope, and they are required to pay business tax. There are a series of questions because of the limitation of the scope of VAT in China, first of all, it weaken the internal constraints of various links which is closely interlinked in the deduction chain of VAT because of the "break" of the buckle chain between VAT of goods sold and the business tax in taxable service. Secondly, it is difficult to determine the scope of taxation at break area, there may be disputes between enterprises and tax authorities. This phenomenon increased the difficulty in tax collection; thirdly, when goods which has paid the VAT entering the sales tax payment stage, they are required to pay full amount of sales tax and cannot deduct the input VAT, so the problem of double taxation have not been resolved; Fourthly, the VAT credit document is not standardized. In order to implement the VAT deduction mechanism, VAT invoices are used. However, the deduction certificates in current operation are not limited to VAT invoices, Such as transportation invoice can

also deduct tax. Fifthly, as there are differences in tax calculation basis, tax rates, calculation methods, etc., the tax burden on VAT taxpayers and business taxpayers are not fair.

Transportation and storage industry is an extension of the production manufacturing industry; it plays a role as a link of the national economy. The overall mechanism of value-added tax would be affected without including the transportation and storage industry. So we suggest that it should be included in the scope of the VAT collection and this can solve double taxation problem in transportation and storage industry radically.

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APPENDIX

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