

The Coordination of the "Economic Duplicate Taxation" Issue of Listed Companies in the Heavy Equipment Industry

Defa Cai,Chenyang Zheng , Zhengyu Wang *

School of Public Finance and Administration, Harbin University of Commerce, Harbin, China

**Corresponding author*

Abstract: In 2024, China's enterprise income tax reached 408.87 billion yuan, and personal income tax reached 145.22 billion yuan, accounting for 23.36% and 8.30% of the total tax revenue of 749.72 billion yuan respectively. The combined share of the two taxes accounted for 31.66% of the total tax revenue, making a truly dominant tax category. At present, there are some frictions in the designed mechanism of the main tax categories of resource tax, such as the problem of "economic repeated taxation, among which the heavy equipment industry is the most prominent. The study shows that implementing the attribution system of income tax is an optional and inevitable choice to optimize current tax system.

Keywords: Listed Company; Economic Duplicate Taxation; Classical System; Attribution System; Dual-Rate System

1. Introduction

The main policies to support technological innovation and manufacturing industry development in China in 2024 involved tax reduction, tax cuts and tax refund of 26.293 trillion yuan, which helps to accelerate the fostering of new productive forces and high-quality development of manufacturing industry. At present there is a problem of "economic repeated taxation" in the distribution of dividends and bonuses by listed companies, which violates the original intention of tax law design, especially heavy equipment and other machinery manufacturing industries, because the proportion of raw materials, machinery and equipment, power and other costs in product costs is higher than that in other industries. The implementation of the attribution system of income tax is an optional and inevitable choice to optimize the current tax system.

2. Analysis of The Economic Repeated Taxation of Dividends

2.1 The Issue of Repeated Taxation on Dividend for Shareholders of Joint-Stock Companies or Legal Entity Shareholders

Repeated taxation can be divided into tax system repeated taxation, legal repeated taxation, and economic repeated according to its nature; and it can be divided into international repeated taxation and domestic repeated taxation according to the scope of its occurrence. The economic repeated taxation of dividends, known as "economic overlapping taxation of income tax," refers to the fact that the investment income of a joint-stock company must be included in the total profit and corporate income tax. When the after-tax profit is distributed to shareholders as dividends, the individual shareholders must also pay personal income tax as investment income, with the taxed at source by the paying company.

The treatment of the dividends obtained by resident companies in various countries is not exactly the same, and it generally takes two ways: one is to a certain proportion of deduction when levying taxes, such as India and France, etc. The other is that the dividends obtained are free of income tax, such as and Korea, etc. The western countries have taken effective measures earlier, either to eliminate the duplicate taxation or to ease the duplicate taxation, which has achieved good results. are two specific ways, one is at the company level, mainly the deduction system and the dual-rate system. The other is at the level of shareholders, mainly credit system and the exemption system. Our country has adopted the tax deduction system for the dividends obtained between companies, which avoids the problem of duplicate taxation on dividend income. However, since the tax law only makes some principled provisions, it is difficult to

operate in practice, which is mainly manifested in:

(1)The tax issue of receiving dividends in the form of bonus shares and rights issues. In the case of cost method accounting for investment, only when cash dividends are received are they recorded in the "investment income" account. With the operation of the market for corporate shares in China, the of corporate shareholders has increased significantly, and many of them use the cost method for accounting. Thus, bonus shares and rights issues distributed are easily avoided from being included the taxation of investment income. If the issued bonus shares are taxed, it is also not easy to determine the basis for taxation. Therefore, how to determine the basis taxation of issued bonus shares is a problem that must be addressed.

(2)The determination of the limit of deduction. The tax deduction for corporate shareholders receiving dividends should be made differently according to situations.

When the taxpayer and other enterprises invested in have the same applicable tax rate, the deduction method can be used to eliminate the double taxation on dividends.

It be expressed by the formula:

$$\text{Tax payable} = (\text{Taxable income} - \text{Dividend income received}) \times \text{Applicable tax rate}$$

When the other invested enterprises have low applicable tax rate, the tax deduction method can be used to eliminate the double taxation on dividends.

It can be expressed by the formula:

$$\text{Tax payable} = \text{Dend income received} \times \text{Applicable tax rate} - \text{Tax paid by the invested enterprise} \times \text{Dividend income received} / \text{Total dividend distributed}$$

When the other invested enterprises have a applicable tax rate, the deduction method should be used to eliminate the double taxation on dividends.

It can be expressed by the formula:

$$\text{Tax deductible} = \text{Dividend received} \times \text{Applicable tax rate}$$

(3)The problem of deduction when the invested enterprise enjoys tax preferences. From the system of tax credit for taxpayers' income from abroad the credit amount is limited to the income tax actually paid abroad, excluding tax reduction or exemption, or tax refunds or compensation obtained after tax payment and taxes borne by on behalf of them.

This shows that our country does not accept the tax credit method, but does not deduct the preferential part of other invested enterprises, which also the preferential measures ineffective, and is not conducive to the horizontal integration and the development of group companies.

2.2 The Issue of Economic Double Taxation Between Companies and Shareholders on Dividends

China's Individual Income Tax Law stipulates that individuals who receive and bonuses should pay 20% personal income tax without any deductions. Undoubtedly, China has formed a double taxation on individuals' dividend income in objective, in additional tax burden beyond the corporate tax, but this issue has not yet received widespread attention. With the implementation and deepening of China's Company Law and rapid development of shareholding transformation, this issue should be resolved as soon as possible. This is because:

(1)The profit of a joint stock company and the dividend distributed to shareholders are from the same economic source. On one hand, from the legal point of view, according to the provisions of the Company Law, limited liability companies and joint stock limited companies are legal persons and belong to economic entities of legal persons. The company enjoys the full legal person property rights formed by the shareholders' investment, enjoys civil rights according to law, and bears civil liabilities The company's profit belongs to the income of the enterprise legal person, while the shareholders are only natural persons, belonging to the economic entities of natural persons. Share represent personal ownership of the company's assets with the shares they hold, and the dividend income they get also belongs to personal income. Therefore, it is based on basis to levy taxes on the company's profit and the dividend distributed to shareholders separately, that is, the argument is based on the company as a "real person". On the other hand, from the economic point of view, in terms of personnel composition, the company is composed of many shareholders; in terms of capital, the company's capital is the sum of the value of the shares held by the shareholders; in terms of profit distribution, the distribution of dividends is part of company's after-tax profit.

It can be seen that the company's profit and the dividend income distributed to shareholders are from the same economic source. It is unreasonable to levy taxes on the company's profit and the distributed dividend separately. The double taxation must be eliminated.

(2) The principle of tax fairness is violated if the same income is taxed twice. Suppose that someone obtains an income of 10,000 yuan from dividends on indirect investment. According to the provisions of our tax law, he should pay a personal income tax of 2,000 yuan. If a person directly engages in production and operation and obtains a profit of 10,000 yuan, he should pay an income tax of 750 yuan (i.e. $10,000 \text{ yuan} \times 10\% - 250$). It can be seen that the tax burden of an individual's dividend tax as compared with the production and operation profit tax is increased by about 167% i.e. $(2,000 - 750)/750 \times 100\%$, which is obviously a discriminatory treatment dividend income. It restricts the distribution of after-tax profits of the company and inevitably leads to tax avoidance by joint-stock companies, such as not directly paying but taking measures to increase the value of stocks in order to achieve the purpose of tax avoidance. It is true that different progressive tax rates are imposed on the income from production and operation and that from contracting and leasing.

(3) Double taxation is against the economic efficiency of taxation. Because both the corporate profit and the distributed dividend are taxed, the greater the dividend income distributed by the company, the heavier the total tax burden borne by the company and the shareholders. This is very likely to prevent shareholders from investing the income they receive into more efficient companies, thus taxation inevitably plays a hindering role in the economy, which does not conform to the principle of "neutrality" taxation and affects the economic efficiency of taxation.

(4) The conditions for eliminating double taxation are basically mature. At present, the new standards regulate the accounting behavior of enterprises in China, the income tax law of domestic and foreign-funded enterprises is unified, a personal income tax law is applicable, the implementation of Company Law, the healthy development of joint-stock companies and the stock market, the continuous improvement and perfection of the state's securities laws and regulations, and

the strengthening of guidance and supervision over joint-stock companies and the stock market and so on. All these indicate that the conditions for eliminating double taxation in China are mature.

From the perspective of completely eliminating the economic double taxation on dividends, the exemption system and the credit system can be adopted. However, the exemption system will inevitably reduce the national fiscal revenue, which is not feasible under the current financial constraints. If we want to guarantee fiscal revenue and eliminate double taxation, and align with international practices, it is more appropriate to adopt the credit system and reform the classical system of our current income tax into attribution system. Since part of the income tax is attributed to the dividends received by the shareholders as a tax credit under the imputation system, the tax from the current 25% classical system rate is roughly equal to the revenue from an imputation system income tax rate of about 30%; and since personal income tax rate on dividends is 20%, the tax credit is also $20/80$ or $2/8$, and the tax credit determined by this proportion, which makes the shareholders' dividends ultimately tax-free, avoiding double taxation altogether. Studies have shown that under the imputation system, the tax does not change with the increase of dividends, while under the classical system, the total tax increases with the increase of dividends distributed by the company.

From the point of view of reducing or relieving the burden of double taxation, the deduction system and the dual-rate system can be chosen. For instance, the two methods of stipulating a certain amount of tax-free or reducing the tax rate on dividend (e.g., 10 percent can also be chosen).

3. Conclusion

In summary, the method that can be chosen should be determined according to the national conditions, taking full consideration of company tax and the personal income tax, or placing at the company level, or placing at the shareholders' personal level. Based on the current situation of our country, can first adopt the dual-rate system to alleviate and reduce the double taxation on dividends, and then adopt the deduction system to completely eliminate the double taxation, such as the loss carry-over

of personal income tax.

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