

Research on the Development of Private Economy from the Perspective of Taxation

Taking Chongqing as an Example

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Abstract—From the perspective of taxation, this paper observes the trend of the development of Chongqing's private economy, analyzes the current situation of the development and expansion of private economy, the continuous optimization of industrial structure, and the significant enhancement of social benefits, and concludes that Chongqing's private economy has played a significant role in stabilizing growth, promoting innovation, increasing employment, improving people's livelihood, and has become an important force in promoting economic and social development. However, in order to achieve extraordinary achievements drum and call, at the same time, the private economy in Chongqing is facing the double pressures of the rapid economic growth to the high-quality development and the domestic and foreign environment due to its own limitations and profound changes in the external environment. The pressure of the subsequent development of the private economy is unprecedented, and the challenges can't be ignored. Regarding how to turn crisis into opportunity, the author gives some suggestions on the development of private economy from the perspective of taxation. The development of Chongqing's private economy should seize the opportunity of the national implementation of the Yangtze River economic belt development strategy, make full use of the preferential policy support and industrial guidance issued by the government, strengthen the internal potential tapping of enterprises, enhance the core competitiveness, and promote the sustainable and healthy development of the private economy.

Keywords—taxation; private economy; development

I. INTRODUCTION

In 2018, Chongqing's private economy¹ (the same below) flourished, playing a significant role in stabilizing growth, promoting innovation, increasing employment, improving people's livelihood, and becoming an important force in promoting economic and social development. However, in the face of the new changes of economy from high-speed growth to high-quality development and domestic and foreign environment, from the perspective of taxation, Chongqing's private economic development is facing the dual pressure of

¹ Private Economy: refers to the part of tax payers excluding the state-owned holding in joint-stock cooperative enterprises, associated enterprises, limited liability companies, joint-stock limited companies and private enterprises.

enterprise transformation and market environment, and there are worries in stability, which cannot be ignored.

II. PRIVATE ECONOMY BECOMES AN INDISPENSABLE FORCE FOR SOCIAL DEVELOPMENT

A. The Development and Growth of the Private Economy

1) *The number of households is expanding:* The entrepreneurial vitality of the private economy continued to release, and the number of households increased geometrically. In the first three quarters of 2018, the newly registered private market subjects increased by 5.6% over the end of last year, accounting for 96.8% of the total market entities in the city. From the perspective of tax, in 2018, the number of taxpayers of private enterprises² (the same below) increased by 18.1% year-on-year, with an average annual growth of 16.3% from 2009 to 2018, far faster than the average annual growth of the number of households of other economic types of enterprises.

2) *The comprehensive strength has increased significantly:* The enthusiasm for the development of private economy is growing day by day. In the first three quarters of 2018, private investment increased by 10.8%, 3.6 percentage points higher than the city's investment growth; the total registered capital of private enterprises increased by 15.9% compared with the end of last year; the import and export increased by 31.8%, 17.9 percentage points higher than the city's, with a total foreign investment of 910 million US dollars, accounting for 90% of the city's total. From the tax perspective, in 2018, the tax revenue of private economy increased by 18.8% year-on-year, of which, the tax revenue of private enterprises increased by 26.7% year-on-year, 5.5 times the scale of 2009, and 21.1% year-on-year growth from 2009 to 2018, 5 percentage points faster than the annual growth of the city's tax revenue.

3) *Economic contribution is becoming more and more prominent:* The contribution of private economy has been

² Private enterprise: refers to the enterprise taxpayer who has the regular production & management behavior and forms the tax source in the private economy, that is, the active market main body.

steadily improved. In the first three quarters of 2018, the proportion of added value of private economy has increased to 50.6%, and the contribution rate to the city's economic growth has reached 50.2%. From the perspective of tax, in 2018, the proportion of private economy in the city's tax revenue reached 59.4%, of which, the proportion of private enterprises in the city's tax revenue reached 54.3%, 16.3% higher than that in 2009, with an average tax contribution of 402000 yuan per household, 32.3% higher than that in 2009, becoming the most important driving force for tax growth.

B. Continuous Optimization of Industrial Structure

1) The industrial layout is becoming more and more reasonable: The added value of the third industry of the private economy is increasing year by year, which reflects the direction of industrial adjustment and optimization. From the perspective of tax, in 2018, the number of households in the tertiary industry of third enterprises was 295000, accounting for 9.1% increase, reaching 76.1%, and the proportion of households in the secondary and tertiary industries was 20:80; the tax revenue of the third industry was 113.79 billion yuan, accounting for 14.9% increase, reaching 72.9%, and the tax ratio of the secondary and third industries was 27:73. Second, the third industries are changing with each other in terms of the number of households and the proportion of tax revenue, which is in harmony with the policy orientation of supply side structural reform.

2) The traditional field is gradually fading out: The private enterprises gradually withdraw from the traditional industrial field with high energy consumption, high pollution and low added value. From the perspective of tax, in 2018, the proportion of industrial households of private enterprises decreased by 13%, the proportion of industrial taxes decreased by 16.4%, and the proportion of households and taxes of more than 80% of industrial subdivisions decreased. The momentum of blind expansion and repeated construction of overcapacity industry has been effectively curbed.

3) Consumer terminals remain active: From January to November 2018, the total retail sales of social consumer goods increased by 8.9% year-on-year. The market demand is relatively strong, and private enterprises are an important force in the active market. From the perspective of tax, in 2018, wholesale and retail taxpayers increased by 11.7% and tax revenue by 38.9% year-on-year; catering taxpayers increased by 28.6% and tax revenue by 9.3% year-on-year; accommodation taxpayers increased by 25.8% and tax revenue by 15.1% year-on-year.

4) Emerging formats show potential: The development of modern service industry is strong, especially the performance of private economy. From the perspective of tax, in 2018, the tax revenue of private enterprises in business service industry, software and information technology service industry, professional technology service industry and education industry increased by 26.6%, 17.9%, 29.3% and 21.5% year on year respectively; compared with 2009, the number of

households in 2018 increased by 6.5 times, 8.3 times, 10.5 times and 5.8 times respectively, and the tax scale increased by 9.5 times, 15.3 times, 9.5 times and 11 times respectively.

5) Regional collaborative industry agglomeration. The functional positioning and division of Chongqing's regional plates are clear, and the industrial agglomeration cooperative development. From the point of view of tax revenue, in 2018, the modern service industry and so on in the main city region gathered, the modern manufacturing industry and so on in the western part of Chongqing gathered, and the green industries such as modern agriculture and tourism and so on in northeast Chongqing, southeast Chongqing gathered.

C. Significant Increase in Social Benefits

1) Reducing taxes and burdens to stimulate vitality: The supply side structural reform continued to advance, the business environment further improved, and the driving force for enterprise development further improved. From the perspective of tax, the tax reduction and fee reduction policies for the private economy have been intensively introduced. In 2018, the total tax reduction and exemption of the private economy accounted for 21.6% of the tax revenue of the private economy; the annual growth rate of tax reduction and exemption of the private economy in 2009-2018 was 39.4%, faster than the annual growth rate of the private economy by 18.3%. Tax incentives release policy dividends and reduce taxes & burdens, effectively stimulating market vitality and conserving tax sources.

2) Technical innovation leads the direction: In 2018, the number of households declared by private enterprises plus deduction of technical development expenses increased significantly, and the proportion of R&D expenses to the operating income of the declared enterprises also increased year by year.

3) The employment guarantee is stable: In 2018, private enterprises take up 7156,000 jobs, a year-on-year increase of 8.2%. From the perspective of taxation, the growth of personal income tax of private enterprises is fast, with a year-on-year growth of 36.1% in 2018; the employment growth of emerging industries such as software and information technology services, professional technology services and other modern services is fast; the employment growth of traditional employment intensive industries such as mining, catering and accommodation, and real estate industry is slowing down.

4) Covering a wide range of rich supplies: With the increasing demand of people's material and cultural needs, the degree of industrial integration is gradually deepened, emerging industries with various categories and levels emerge as the times require. Private enterprises act as the vanguard and main force, which greatly meet the personalized needs of different groups. From the perspective of taxation, the rapid rise of logistics and transportation companies has promoted the development of road transportation industry. In 2018, the number of households and tax revenue are 3.1 times and 4.3

times of that in 2009, respectively, which provides the possibility for the revolutionary change of shopping mode; Early childhood education enterprise households, vocational (Art) training enterprise households, which effectively improve the overall quality and vocational skills of the whole society; medical institution households, information technology service enterprise households, which greatly improve people's livelihood and enhance people's happiness.

III. THE PRIVATE ECONOMY IS FACING UNPRECEDENTED PRESSURE OF FOLLOW-UP DEVELOPMENT

In order to achieve extraordinary achievements for the private economy drum and call, at the same time as, it is necessary to maintain a clear understanding that due to the restriction of our own limitations and the influence of profound changes in the external environment, the subsequent development pressure of the private economy is unprecedented, and the challenges we face can't be ignored.

A. Pressure of Weakening Endogenous Power

1) *There are many but not strong private enterprises:* Chongqing private enterprises are mainly concentrated in the traditional industries with relatively backward technology level, low investment threshold and low added value of the industry, resulting in the situation of low industrial level, limited value-added space, large number and weak strength. In 2018, there were only a few of the top 500 private enterprises in Chongqing, with 23 listed companies, accounting for 1% of the total. Chongqing's private enterprises are many but not strong, and their core competitiveness is relatively weak.

2) *Simple and extensive operation and management:* The management and operation of family and small workshops in private enterprises is quite common, and the efficiency is relatively low, which is not conducive to the development and growth of enterprises. In 2018, the same person rate of legal persons and financial directors of private enterprises in Chongqing reached 49.5% in the active accounts and 53.5% in the inactive accounts. Considering that the legal person and the person in charge of Finance may also be close relatives such as father and son, husband and wife, brothers and sisters, etc., which are not included in the calculation, this means that at least 50% or even more private enterprises are still using this relatively inefficient management mode.

3) *The entrepreneurs become aging:* In 2018, the average age of entrepreneurs at the time of tax registration is 38.6 years old, which is 4.1 years higher than that in 2009. This may mean that due to the severe market environment, weakened occupational attraction, and high entry threshold, young people delay or are difficult to start their businesses due to market competition, career choice, start-up capital and professional skills.

4) *The main body of the market is not strong:* The phenomenon of short-lived and zombie enterprises is very common. In 2018, 171.1% of the non active private enterprises without business income are active private

enterprises with regular production and operation behaviors and tax sources. From 2009 to 2018, more than 20% of new business households have a "life span" of less than 2 years.

5) *High financial risk:* Private enterprises are keen to spread stalls, upper scale, high debt phenomenon is more common, forming a higher financial risk. The higher the asset-liability ratio, the weaker the ability to withstand the market and the risk of business.

B. Increasing Pressure from External Constraints

1) *Increase of cost and decrease of profit:* The cost of private enterprises has increased significantly, and the profit margin has been narrowed year by year. In 2018, from the perspective of financing cost, the ratio of interest expense to financing income is higher than that of state-owned enterprises; from the perspective of factor cost, the employment cost has increased significantly, and the per capita wage of private enterprises has increased significantly compared with that of 2017; from the perspective of tax cost, the per household tax of private enterprises is higher than that of state-owned enterprises and foreign-funded enterprises.

2) *The financing channel is not smooth:* Due to the low credit, small scale and poor efficiency of some private enterprises, the phenomenon that financial institutions are afraid to lend and unwilling to lend is common, which objectively forms the situation that the financing channels of private enterprises are not smooth and there is no way to ask for loans. From the perspective of financing channels, the asset liability ratio of non-financial sector is significantly higher than that of state-owned and foreign capital, reflecting that private enterprises mainly finance by debt, and the equity financing channels are not smooth. However, credit loans, corporate bonds and other financing channels are restricted by the conditions of private enterprises themselves, which makes it very difficult to operate.

3) *Trade friction and export decline:* With the rise of trade protectionism and unilateralism, private enterprises supporting export enterprises or in the industrial chain will inevitably be affected. In 2018, the growth rate of foreign trade export of private economy is higher than that of the whole city. From the tax perspective, in 2018, the growth rate of export tax rebate of private enterprises slowed down significantly.

4) *The policy design needs to be optimized:* The policy design is treated differently and unfairly, for example, the government investment projects and PPP projects artificially set "high threshold" to keep private enterprises out of the door, etc.; the tax preference method is single and the overall planning is not detailed, for example, the private enterprises cannot enjoy the tax preference of "three capital enterprises", cannot enjoy the technical transformation funds, financial discount and financial subsidies provided to the state-owned enterprises, and the policy has insufficient considerations on how to improve the core competitiveness of private enterprises.

5) *The main tax sources are too centralized:* In 2018, the proportion of real estate industry households in private enterprises was 3.7%, accounting for 28.9% of the tax revenue of private economy. From 2009 to 2018, the proportion of tax revenue increased by 10.8%, forming a unique situation of tax contribution. The real estate market fluctuates greatly under the influence of policy, market and other factors. The concentration of tax industry is too high, which is not conducive to the stable and sustainable development of economic tax.

IV. PROMOTION OF THE PRIVATE ECONOMY SHOULD BE SUPPORTED AND GUIDED BY THE ENDOGENOUS MOTIVATION

The development of Chongqing's private economy should seize the country's opportunity to implement the strategic development of the Yangtze River Economic Belt, make full use of the government's preferential policy support and industry guidance, strengthen the internal potential of enterprises, enhance core competitiveness, and promote the sustainable and healthy development of the private economy.

A. Government Policy Support and Industrial Guidance

1) *Policy support:* First, it required to increase tax cuts and reduce fees. The key is to accurate burden reduction on small and micro enterprises, technological enterprises in Colleges and universities, enterprises in the early stage of entrepreneurship, etc. the key is to reduce the fees, clear the fees with taxes, simplify the items of fees, standardize the charging standards and processes, and make the taxes and fees borne by enterprises more fair and transparent. Second, it is financial subsidies. It is suggested that the evaluation should be based on the criteria of tax credit, employment capacity and scientific and technological innovation achievements of private enterprises; and different levels of government financial subsidies, policy guidance and positive incentives should be given. Third, it is to expand financing channels. It is necessary to encourage qualified enterprises to raise funds through issuing corporate bonds, listing and equity reform, increase supervision, and put an end to the phenomenon of arbitrary loan withdrawal, loan compression and loan interruption. Fourth, create a fair competition environment. It is necessary to clear up and resolutely abolish all regulations that hinder participation in fair competition, implement the system of negative list of market access, relax the threshold of private capital access and operation, and continue to deepen the reform of "deregulation services". Fifth, encourage entrepreneurship. It is necessary to encourage all sectors of society to actively engage in private enterprise entrepreneurship, and give preferential fiscal and tax policies.

2) *Industrial guidance:* The first is industrial upgrading. Guide private enterprises to become bigger and stronger, to become the industry leader, to lead the industry's development direction, to play the leading role of leading enterprises' product radiation, technology demonstration and other leading roles, to actively extend to the upstream and downstream of the industrial chain, to carry out specialized division of labor

and regional collaboration. The second is structural adjustment. Guide private enterprises to enter public service, infrastructure, state-owned enterprise restructuring and reorganization, and "private enterprises' s participation in the military" and other industries, and guide the proportion of private enterprises in emerging business fields such as modern service industries. The third is industrial transfer. It is required to guide private enterprises to go out, take advantage of technology, capital, management and other comparative advantages, actively participate in the M&A of transnational enterprises; to gradually withdraw from labor-intensive industries, transfer the production and manufacturing links to relatively backward countries or regions, and to specialize in R&D and sales links. The fourth is to join emerging industries. It is also required to guide private enterprises to take advantage of their flexible management and management, and try out and accelerate development in some emerging industries that have small initial investment, low technical requirements, and can "overtake the curve". The fifth is to clean up zombie enterprises. It is required to vigorously clean up zombie enterprises, avoid waste of social resources, improve resource utilization efficiency, and stimulate market vitality.

B. Improving the Internal Management of Enterprises and Strengthening the Stamina

The first is to implement advanced modern enterprise management mode. Encourage private enterprises to carry out equity reform, change the closed property right system and management mode, establish modern enterprise system, and promote standardized and institutionalized construction of companies. The second is to improve the overall quality of corporate executives. Introduce professional manager system, guide scientific research institutes and various social training institutions to provide private enterprises and business owners with policies and regulations, modern management, marketing, entrepreneurial skills and other training, improve strategic vision and management level. The third is to focus on industry and focus on the main business. The private economy should further consolidate the foundation for gaining a technologically leading industry and a traditional service industry with competitive advantages, and be prepared for sustainable development to win long-term competitive advantages.

V. CONCLUSION

Since the reform and opening up, under the guidance of the basic economic system with public ownership as the main body and the common development of various ownership economies, the private economy has grown from small to large, from weak to strong, with the rapid expansion of its main body and tax scale, the continuous optimization of the industry structure, and the continuous enhancement of financial and social benefits. It has become an important force to promote the development of the socialist market economy, it is an important force to promote supply-side structural reform, promote high-quality development and build a modern economic system. As an important part of economic development, the tax growth trend of private economy is a

barometer reflecting economic development. The tax contribution of Chongqing's private economy exceeds the national average level. The speed of tax growth of Chongqing private economy can fully reflect the trend of economic development. Therefore, how to scientifically analyze and accurately grasp the context of tax development of private economy, how to take strong targeted measures such as policy support and industrial guidance, is directly related to the stable and orderly growth of the whole economic society, which is of great significance.

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