

THE ADMINISTRATIVE
FOUNDATIONS OF THE CHINESE
FISCAL STATE

On subjects ranging from trade to democratization, there has lately been a wave of laments about China's development belying Western expectations. Yet these disappointments often come with misunderstandings of the very institutions that China was expected to adopt. Chinese taxation offers a sharp illustration. When China introduced a tax system suited for the market economy, it fully intended tax collection to rely on self-assessment, audits, and the rule of law. But this Western approach was quickly jettisoned in favour of one that emphasized the monitoring of taxpayers and ex ante interventions, at the expense of deterrence and truthful reporting norms. The Chinese approach surprisingly matches recommendations made by recent economic scholarship on tax compliance and state capacity. China's massive but little-known explorations in taxation highlight the distinct types of modern state capacity, and raise challenging questions about the future of taxation and the superiority of institutions based on rule of law.

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STATE

WEI CUI

University of British Columbia



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To
Simone & Adele

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The highlight of this process of re-learning was definitely the many interviews and conversations I had with Chinese tax administrators in provincial, city, and district-level bureaus. I am grateful to them all, although the world they live in may seem very remote to many readers of this book, and it would not make sense to list all of their names. I would like to specifically thank Mr. Wei Guoqing, however, for introducing me to a world rich with opportunities for social scientific investigation and moral and political reflection.

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ABBREVIATIONS

| | |
|----------|--|
| BT | Business Tax (<i>yingyeshui</i>) |
| B2B | business-to-business |
| CCP | Chinese Communist Party |
| CIT | corporate income tax |
| CNY | Chinese yuan/renminbi |
| COE | collectively owned enterprise |
| COVID-19 | coronavirus disease |
| DS | Local Tax Bureau (<i>difang shuiwuju</i>) |
| EIT | Enterprise Income Tax |
| EITL | Enterprise Income Tax Law |
| GDP | gross domestic product |
| GS | State Tax Bureau (<i>guojia shuiwuju</i>) |
| GTP | Golden Tax Project |
| IMF | International Monetary Fund |
| IRS | Internal Revenue Service |
| IT | information technology |
| LTU | large taxpayer units |
| MOF | Ministry of Finance (China) |
| NPC | National People's Congress |
| OECD | Organisation for Economic Co-operation and Development |
| PIT | personal income tax |
| PITL | Personal Income Tax Law |
| RCT | randomized controlled trial |
| SAT | State Administration of Taxation |
| SI | social insurance |
| SMPE | small and micro-profit enterprise |
| SOE | state-owned enterprise |
| TPIR | third-party information reporting |
| UNDP | United National Development Program |
| VAT | value-added tax |
| WTO | World Trade Organization |