

Rationality Analysis of China's Macro Tax Burden under the Background of Tax Reduction and Fee Reduction

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Abstract

The macro tax burden is an important index to measure the overall burden level of a country. The international common index is the proportion of tax revenue to GDP in the same period. Macro tax burden is not only an important evaluation index of a country's financial health, but also an important reflection of a country's macro-control ability, as well as an important evaluation index of a country's economic policy formulation, fiscal policy implementation, monetary policy operation and political and economic environment improvement. It is of great significance to study the change of macro tax burden to guide China's economic policy making. Based on the background of tax reduction and fee reduction, this paper analyzes the current situation of China's macro tax burden, compares China's macro tax burden with that of typical countries in the world from different perspectives, analyzes the reasons for the differences between China's macro tax burden and micro tax burden, and proposes measures to further rationalize the macro tax burden.

Keywords

Macro Tax Burden; Rationality; Tax Reduction and Fee Reduction; International Comparison.

1. Introduction

The 20th National Congress of the Communist Party of China emphasized the need to improve the modern budget system, optimize the tax structure, and enhance the fiscal transfer payment system. Macro-tax burden, as a comprehensive economic indicator, represents the proportion of public resources controlled by the government relative to the total societal resources. It not only reflects the state of national finance but also relates to social equity, economic regulation, resource allocation, and national competitiveness. A stable and reasonable macro-tax burden serves as an important reference for formulating tax policies and is a crucial indicator for assessing China's fiscal health. Studying changes in macro-tax burden can guide the formulation of China's economic policies, and a reasonable macro-tax burden contributes to achieving social equity by regulating wealth distribution through moderate taxation, thereby narrowing the burden gap among different social strata. In recent years, the government has adjusted tax policies to achieve macroeconomic goals such as economic growth, structural adjustment, and employment promotion. By adhering to proactive fiscal policies and reasonably managing the scale of the deficit, the government has kept the overall deficit ratio within 3% and the government debt ratio around 50% during the five years from 2018 to 2022. During this period, cumulative tax cuts amounted to RMB 5.4 trillion and fee reductions to RMB 2.8 trillion, helping enterprises overcome difficulties and preserve their vitality. These measures also nurtured tax sources by creating a favorable environment for business growth. In 2022, VAT credits refunds exceeded RMB 2.4 trillion, with additional tax cuts and fee reductions exceeding RMB 1 trillion and tax and fee deferrals totaling over RMB 750 billion.

Scholars' research on macro-tax burden focuses on two main aspects. On the one hand, there is the analysis of the rationality of macro-tax burden, specifically the optimal level of macro-tax burden. From an international comparison perspective, China's narrow-sense and medium-sense tax burdens are not high, but its broad-sense tax burden is relatively high (Dong Gentai, 2014)[1]. Wei Shengmin (2022)[2] estimated that China's optimal medium-sense macro-tax burden is 17.7%, while Ma Xiaoling (2019) [3]calculated that China's optimal broad-sense macro-tax burden should be 26.89%. Foreign scholars generally use the Laffer Curve to measure the optimal level of macro-tax burden. Fernández-de-Córdoba and Torres (2011)[4] used the Cobb-Douglas function to depict the Laffer Curve for EU countries and found that tax rates in most EU countries are higher than the optimal tax burden level. Trabandt and Uhlig (2011)[5] analyzed the Laffer Curve for EU countries and the United States using an endogenous growth model and found that tax burdens in EU countries are generally high and need timely adjustment. Ludmila Verovska and Alexey Leontyev (2017)[6] proposed that developing countries and economies in transition have lower macro-tax burdens, while economically developed countries have high levels of social security and tax burdens. On the other hand, there is the issue of evaluating the rationality of macro-tax burden in terms of subject and criteria. He Ping (2019)[7] suggested that the evaluation subject should be micro-entities, while Yang Yuanwei (2022)[8] proposed four dimensions for evaluating macro-tax burden: the overall level of tax burden, the rationality of fiscal expenditure, the coordination of social wealth distribution mechanisms, and the interrelationship between government revenue and economic growth. Li Jian (2022)[9] specifically analyzed the criteria for defining the rationality of macro-tax burden at the national and regional levels. At the national level, evaluation should be conducted from three aspects: economy, finance, and state revenue; at the regional level, it should be comprehensively evaluated based on economic development level, industrial structure, and the degree of preferential tax policies. Gao Peiyong (2023)[10] also pointed out that the evaluation of macro-tax burden should not be limited to tax concepts or annual budget balance, but should be based on a specific analysis of China's national conditions. Although macro-tax burdens measured by different definitions each have their own rationality, he believes that measuring it based on expenditure is more reasonable, as government expenditure represents the necessary cost of fulfilling government responsibilities. Therefore, evaluating the rationality of macro-tax burden should be based on the construction of a modern fiscal and taxation system and focus on the necessary costs of fulfilling government responsibilities. This paper analyzes the changes and current status of China's macro-tax burden in the context of tax and fee reductions, compares China's macro-tax burdens measured by various definitions with those of typical countries on different continents, and thereby analyzes and reflects on the rationality of China's macro-tax burden. It also points out the direction for short-term and medium- to long-term fiscal and taxation policies. The research in this paper builds a theoretical bridge between the traditional fiscal and taxation system and the modern fiscal and taxation system, and has important theoretical significance for gaining a deeper understanding of tax reform during the high-quality development stage of the Chinese economy.

2. Analysis of the Current Situation of China's Macro Tax Burden

Internationally, the commonly used metric for measuring macro-tax burden is the ratio of tax revenue to GDP over the same period. However, since government revenue in China not only includes tax revenue but also non-tax revenue, fund revenue, and other sources, using only the ratio of tax revenue to GDP to measure China's macro-tax burden is not comprehensive. Currently, there are three measurement standards for macro-tax burden in China: first, the narrow-sense macro-tax burden, which is the ratio of tax revenue to GDP over the same period; second, the medium-sense macro-tax burden, which is the ratio of general public budget

revenue to GDP over the same period; and third, the broad-sense macro-tax burden, which is the ratio of government revenue to GDP over the same period. Since China standardized budget revenue in 2012 by incorporating all extra-budgetary revenue into budget revenue, government revenue now consists of four budget components. Additionally, China has implemented a series of tax and fee reduction measures since 2012, including the replacement of the business tax with a value-added tax (VAT) in 2016, and consecutive VAT rate simplifications and reductions in 2018 and 2019. From structural tax reductions to universal tax relief, and now to the... establishment of a new round of fiscal and taxation systems, these comprehensive factors have led to the start of calculations in this paper from 2012. The macro-tax burdens calculated according to China's three measurement standards are shown in Figure 1.(Blue lines represent small caliber,orange lines represent medium caliber,yellow lines represent large caliber).

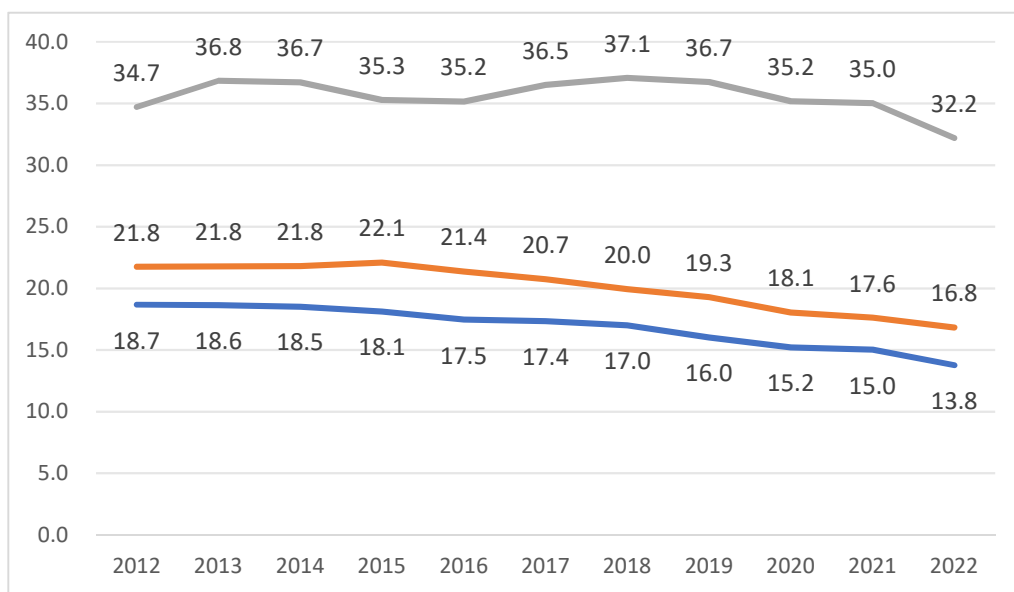


Figure 1. China’s Macro-Tax Burden from Different Perspectives from 2012 to2022

Data Source: Calculated based on the "China Statistical Yearbook (2023)" and the "Financial Statistical Yearbook" published by the National Bureau of Statistics of the People's Republic of China.

Note: Government Revenue = General Public Budget Revenue + Government-Managed Fund Revenue + Social Security Fund Revenue + State-Owned Capital Operating Revenue.

As can be seen from Figure 1, during the period from 2012 to 2022, the narrow-sense macro tax burden has been declining, falling from 18.68% in 2012 to 13.77% in 2022. This continuous decline in the narrow-sense tax burden is closely related to China's structural tax reductions and universal tax relief measures aimed at cutting taxes and fees. Both the medium-sense and broad-sense macro tax burdens exhibit similar trends, initially rising and then falling. The medium-sense macro tax burden increased from 21.77% in 2012 to 22.1% in 2015, before declining to 16.83% in 2022. Although the broad-sense macro tax burden fluctuates, it also generally follows a trend of first increasing and then decreasing, remaining stable above 30%. It rose from 34.73% in 2012 to 36.84% in 2013, then fell to 35.16% in 2016, subsequently increased to 37.09% in 2018, and finally declined to 32.2% in 2022.

Whether the level of macro tax burden is high or low should be judged by comparing it with other countries internationally; otherwise, its reasonableness cannot be assessed. Firstly, a unified definition should be adopted. However, due to the inconsistency between China's tax

classification and the international standards, this paper chooses to use the tax classification methods of the Organization for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) for comparison.

The classification of tax revenue by the OECD and the IMF is largely consistent, but the IMF separates tariffs from goods and services taxes, listing them as a separate category, while classifying social security taxes as social contributions. According to the IMF's classification, its tax revenue aligns with China's net tax revenue. The tax revenue of OECD countries, on the other hand, is equivalent to China's net tax revenue plus social security contributions. Although China has not yet imposed a social security tax, social security fees exist in the form of payments, and currently, these fees are collected by the tax authorities, possessing certain tax attributes. Therefore, under a unified definition, we treat social security fees as a type of tax. Below, we calculate China's macro tax burden using tax systems that include and exclude social security contributions, respectively, as shown in Table 1.

Table 1. China's macro tax burden from 2012 to 2022 using the same measurement criteria

Year	Tax revenue(billion yuan)	Social security fund revenue(billion yuan)	GDP(billion yuan)	Macro tax burden under the IMF's definition(%)	Macro tax burden under the OECD's definition(%)
2012	100614.3	30738.8	538580.0	18.68	24.39
2013	110530.7	35252.9	592963.2	18.64	24.59
2014	119175.3	39827.7	643563.1	18.52	24.71
2015	124922.2	46012.1	688858.2	18.13	24.81
2016	130360.7	53562.7	746395.1	17.47	24.64
2017	144369.9	67154.5	832035.9	17.35	25.42
2018	156402.9	79254.8	919281.1	17.01	25.63
2019	158000.5	83550.4	986515.2	16.02	24.49
2020	154312.3	75512.5	1013567.0	15.22	22.67
2021	172735.7	96936.8	1149237.0	15.03	23.47
2022	166620.1	102504.8	1210207.2	13.77	22.24

Data source: Calculated based on the "China Statistical Yearbook (2023)" published by the National Bureau of Statistics of the People's Republic of China.

As shown in Table 1, from 2012 to 2022, China's macro tax burden excluding social security fund revenue has been declining, falling from 18.68% to 13.77%, with an average annual tax burden of 17.08%. The macro tax burden including social security fund revenue exhibits a trend of first increasing and then decreasing, rising from 24.39% in 2012 to 25.63% in 2018, before declining to 22.24% in 2022, with an average annual tax burden of 24.08%. The macro tax burden excluding social security funds has shown a continuous downward trend in recent years, while the macro tax burden including social security funds began to decline only after 2018. There are mainly two reasons for this: Firstly, the country has implemented continuous tax reductions in recent years, leading to a decline in the macro tax burden excluding social security funds. Secondly, the nominal tax rate including social security funds began to decrease only after 2018, which is related to the reduction in the contribution rate and base for social security fees.

3. International Comparison of China's Macro-tax Burden Level

According to the IMF's government finance statistics, among its 82 member countries and regions, China ranked 65th in terms of the proportion of tax revenue to GDP in 2021, indicating

that China's macro tax burden is lower than that of most countries. Below is a calculation of the tax burdens of some typical countries and regions worldwide using different definitions, as shown in Table 2.

Table 2. Macro tax burden levels in some countries worldwide from 2019 to 2021 %

	Country	2021			2020			2019		
		The macro tax burden including social security taxes	Small caliber	Large caliber	The macro tax burden including social security taxes	Small caliber	Large caliber	The macro tax burden including social security taxes	Small caliber	Large caliber
Developed countries	Australia	27.7	28.1	34.8	28.4	28.0	34.6	29.5	27.1	33.2
	New Zealand	31.4	30.6	36.6	33.7	30.0	35.8	34.6	31.7	36.7
	Denmark	46.9	46.9	53.8	47.3	46.9	53.8	47.4	47.9	48.6
	Finland	42.3	30.3	51.4	41.8	30.2	50.7	43.2	31.0	52.1
	France	44.9	30.3	51.6	45.1	30.2	52.0	45.2	30.2	52.0
	Germany	38.6	24.0	46.0	37.9	23.0	45.5	39.3	24.9	46.7
	Greece	39.5	26.3	49.4	38.8	26.3	49.4	39.4	26.9	41.9
	Italy	42.3	28.8	46.4	42.6	28.8	46.8	42.4	29.6	47.8
	Netherlands	39.3	25.4	43.2	40.0	25.8	43.2	39.2	26.1	43.2
	Portugal	34.5	24.7	42.0	35.2	24.6	42.8	35.3	24.8	44.2
	Spain	34.7	22.3	38.6	36.8	22.9	40.9	37.8	24.6	43.1
	Sweden	42.8	40.0	48.7	42.4	39.8	48.2	42.7	39.8	48.1
	United Kingdom	32.5	26.6	36.3	32.8	26.4	36.7	34.4	28.2	38.4
	Japan	31.5	18.9	35.4	33.0	20.0	36.8	34.1	21.5	38.6
	South Korea	27.2	20.0	34.1	27.7	20.2	34.3	29.8	22.4	36.9
	Singapore	13.2	13.2	21.0	12.9	12.9	18.3	14.0	14.0	18.8
United States of America	25.1	19.0	30.1	25.7	19.6	30.9	26.5	20.9	32.0	
Canada	33.1	28.6	40.6	34.7	30.0	41.9	33.9	29.4	41.5	
Average	34.9	26.9	41.1	35.4	27.0	41.2	36.0	27.8	41.3	
Developing countries	Chile	21.0	19.4	23.8	19.3	18.0	22.1	22.2	21.2	25.9
	Colombia	19.7	18.6	31.3	18.8	17.7	28.8	19.2	17.9	28.9
	Brazil	34.6	23.7	41.8	33.0	22.6	38.1	34.8	23.7	40.9
	Kazakhstan	15.6	15.1	19.1	16.7	12.4	16.9	14.7	13.8	17.9
	Thailand	17.2	16.1	20.9	16.7	15.7	20.7	16.2	15.6	19.8
	Indonesia	11.1	11.1	14.3	9.6	9.6	12.8	10.7	10.7	14.6
	Turkey	24.4	16.9	30.4	23.9	18.0	30.8	22.8	18.2	31.0
	Hungary	35.6	24.5	43.5	36.0	24.7	43.4	33.7	23.2	40.6
	Poland	35.8	21.7	41.1	35.6	21.9	41.3	36.7	23.6	37.5
	Costa Rica	22.7	14.1	25.6	21.8	13.0	24.9	23.9	14.8	26.8
	Mexico	16.3	14.1	21.0	17.7	15.3	22.6	17.3	15.3	22.6
	Average	23.1	17.7	28.4	22.6	17.2	27.5	22.9	18.0	27.9

Data source: IMF official website: <https://data.imf.org>

As can be seen from Table 2, during the period from 2019 to 2021, the macro tax burden of developed countries remained relatively stable overall, due to their robust economic development, stable social order, and well-established tax systems. Among them, Denmark, Finland, France, Italy, and Sweden all had macro tax burdens exceeding the average level of developed countries. However, Australia, South Korea, and the United States had macro tax burdens lower than the average level of developed countries. During the same period in China, our country's narrow-definition macro tax burden was almost lower than that of all developing countries, but the macro tax burden including social security taxes and the broad-definition macro tax burden were both higher than the average level of developing countries. Although China's broad-definition macro tax burden was lower than the average of developed countries, the gap was narrowing.

4. Analysis of the Rationality of China's Current Macro-tax Burden

To analyze the rationality of China's macro-tax burden, it is first necessary to establish criteria for evaluation. Yang Yuanwei (2022) proposed four dimensions for evaluating macro-tax burden: the overall level of tax burden, the rationality of fiscal expenditure, the coordination of social wealth distribution mechanisms, and the interplay between government revenue and economic growth. This article will analyze the rationality of China's macro-tax burden from the perspectives of the overall level of tax burden and the rationality of fiscal expenditure.

4.1. Low Narrow-sense Tax Burden but High Broad-sense Tax Burden

Through comparisons with other countries, it can be seen that China's narrow-sense macro-tax burden is relatively low on an international scale. Although the gap between China's broad-sense macro-tax burden, which includes social security contributions, and that of other countries has narrowed, it still remains lower than most countries. However, China's broad-sense tax burden is relatively high internationally. The divergence between narrow-sense and broad-sense tax burdens is due to the existence of numerous fees and non-tax revenues in China, such as social security contributions, government funds, and administrative gray rent-seeking costs, which are not included in tax revenue in international data statistics. In 2022, China's non-tax revenue amounted to RMB 3,702.919 billion, an increase of 25.21% over the previous year. Furthermore, there are significant differences between the tax structures of developed countries and China. Most developed countries, such as the United Kingdom, France, and Germany, rely on income taxes as their main tax category, particularly personal income taxes and social security taxes. The high per capita income in these developed countries can meet the government's revenue needs. In contrast, China's tax structure is dominated by turnover taxes, supplemented by income taxes. This is because China's current per capita income level is still relatively low, and personal income taxes cannot meet the government's fiscal revenue needs. Therefore, non-tax revenues and fees have become an important source of government revenue, resulting in the phenomenon of a low narrow-sense tax burden but a high broad-sense tax burden.

In recent years, China has implemented a series of tax and fee reduction measures, deepening the reform of the value-added tax (VAT). In 2018 and 2019, tax rates were reduced twice and simplified, while measures such as VAT carryforward refunds and additional deductions for certain industries were implemented. A series of measures such as personal income tax reform, expanded additional deductions for research and development expenses, and "double reductions" in social security contributions have also been introduced. As seen from the above analysis, China's macro-tax burden is on a continuous downward trend. With the deepening of tax and fee reductions, there is still room for the macro-tax burden to decline, especially the broad-sense macro-tax burden. The optimal level of macro-tax burden is 26.86%.

4.2. Inadequate Fiscal Expenditure on Basic Public Services

Another criterion for assessing the reasonableness of macro-tax burden is whether the government can meet the public needs of taxpayers. It is undeniable that the continuous decline in macro-tax burden will, to a certain extent, promote economic growth. Studies have found that macro-tax burden is inversely proportional to economic growth, with a 1% decrease in macro-tax burden leading to a 1.15% increase in economic growth. Simultaneously, the tax burden on micro-entities also negatively correlates with economic growth. Therefore, the decline in China's macro-tax burden can stimulate market vitality and promote economic growth. However, based on the experience of national development, macro-tax burdens in developed countries are generally higher, especially in high-welfare Nordic countries. Their high welfare systems are supported by high taxes, indicating that high welfare and high tax burdens are intertwined. Although these high-welfare countries generally have macro-tax burdens exceeding 40%, taxpayers do not feel heavily burdened by taxes due to the high quantity and quality of public goods provided. In contrast, China's tax refund system is relatively weak, with inadequate provision of public goods and low expenditures on people's livelihood. In 2022, China's expenditures on education, health, social security, and employment amounted to RMB 3,944.759 billion, RMB 2,253.672 billion, and RMB 3,660.915 billion, respectively, with increases of 5.28%, 17.73%, and 8.35% compared to the previous year, respectively, but the growth rates have slowed down. Moreover, as the most basic public services, the combined share of these three areas in fiscal expenditure is only 36.99%. China's broad-sense macro-tax burden exceeds that of the United States, but the US spends over 60% of its fiscal expenditure on these three areas. With the continuous decline in China's macro-tax burden, attention must be paid to the provision of basic services.

Therefore, macro-tax burden is not necessarily better when it is lower. There should be a reasonable standard for macro-tax burden, as an excessively low macro-tax burden may lead to insufficient government revenue. Given the characteristic of taxes being "taken from the people and used for the people," insufficient government revenue may affect the overall welfare level enjoyed by society. Therefore, based on China's specific reality, while reducing the tax burden on residents and businesses, it is equally important to ensure adequate government revenue. Furthermore, China's tax expenditure lacks transparency, and the level of public services needs to be further improved. Therefore, as the macro-tax burden continues to decline, it is essential to consider the actual benefits of social welfare accessible to residents, as the ultimate criterion for assessing macro-tax burden levels depends on whether it enhances national welfare.

5. Policy Recommendations

5.1. Short-term Measures

In the near term, addressing China's high broad-sense macro-tax burden requires further intensifying efforts to reduce taxes and fees, implementing proactive fiscal policies to lighten the tax and fee burdens on micro-entities. Meanwhile, fiscal policies should be combined with financial instruments to manage debt, creating a more stable environment for economic development through interest rate cuts, loan extensions, and other means.

Firstly, implement structural tax and fee reduction policies. Universal tax reductions have already lowered China's narrow-sense macro-tax burden to a relatively low level, but the central government faces considerable fiscal pressure. Therefore, implementing structural tax reductions is imperative. Priority should be given to supporting the real economy, such as manufacturing, by reducing its tax and fee burdens to promote industry development. For manufacturing enterprises, VAT reduction and exemption policies can be implemented to lower production costs. For example, a zero VAT rate or reduced VAT rates can be applied to certain

raw materials or key equipment. At the same time, corporate income tax rates can be lowered to ease the burden on enterprises. In particular, differentiated tax rates can be considered for small and micro-enterprises and manufacturing enterprises.

Secondly, enhance the precision and targeting of taxation. Differentiated tax policies can be implemented, with various preferential tax policies formulated based on factors such as regional and industry characteristics. In terms of regional differentiation, enterprises in different regions can be subject to corresponding tax policies based on their economic development levels and industrial structures. For underdeveloped regions or those needing support, more significant tax reductions or fiscal subsidies can be provided. In terms of industry differentiation, differentiated tax policies can be formulated for enterprises in different industries based on their characteristics and contributions. For example, greater tax incentives can be given to industries that align with national development directions, such as green and environmental protection industries and high-tech industries.

Finally, improve tax and fee support policies. Further optimize tax policies to reduce the tax burden on micro-entities, which may include lowering corporate income tax rates and adjusting the VAT rate structure to alleviate the burden on enterprises. Increase the pre-tax deduction ratio for enterprise research and development (R&D) expenses to encourage enterprises to increase R&D investment and promote technological innovation and industrial upgrading. For eligible enterprises, further optimize tax reduction and exemption policies and simplify application procedures to ensure that enterprises can promptly and conveniently enjoy the benefits of relevant policies.

5.2. Long-term Measures

In the long run, to reduce China's macro-tax burden, it is necessary to plan for a new round of fiscal and taxation system reform, further optimize the tax structure, improve fiscal management capabilities, and ensure the effective implementation of fiscal policies.

Firstly, promote the reform of the taxation system and establish a modern fiscal and taxation system. Research and design a simpler, more transparent, and fairer taxation system, including potential comprehensive taxation and resource tax reforms. Drive the reform of the local taxation system, gradually establishing a sound local tax system to mobilize local enthusiasm and establish payment responsibilities that match fiscal responsibilities. Although China's macro-tax burden is only around 30%, the perception of tax burden among micro-entities is significant. This is due to China's tax system structure, which is dominated by turnover taxes and supplemented by income taxes. As the largest country in terms of value-added tax (VAT), the transferable nature of its tax burden creates a disparity between the statutory and actual tax burdens of micro-entities. At the same time, a tax system structure dominated by turnover taxes is not conducive to the role of the macro-tax burden as an automatic stabilizer. In view of this, optimizing China's tax structure is urgent. Efforts should be made to shift from a tax system arrangement dominated by the traditional economy to one centered on both the traditional and digital economies, further improving China's dual-pillar tax system structure of indirect and direct taxes to ensure that the tax system adapts to the needs of the new stage of development. Rigorously advance the formulation, monitoring, improvement suggestions, result management, and quality control of the existing tax system. Research should be conducted to enhance the scientificity, targeting, and sustainability of various tax rates, continuously optimizing the comprehensive evaluation criteria for the tax system. Broaden the horizons and ideas for learning from and international taxation structures, scientifically and reasonably adopting internationally prevalent preferential tax policies according to local conditions.

Secondly, improve the modern budget system. Improving the modern budget system is a crucial step in enhancing fiscal management efficiency and promoting the rational allocation and utilization of public resources. Firstly, performance-based budgeting can be implemented,

directly linking resource allocation to goal achievement, and motivating government departments to improve work efficiency through performance evaluations. Set clear performance indicators and regularly evaluate the effectiveness of government projects and services to ensure optimal resource utilization. Secondly, integrate central and local fiscal budgets to ensure the rational allocation and utilization of resources and coordinate fiscal relations between central and local governments. Establish cross-departmental and cross-level cooperation mechanisms to promote more efficient resource flows between governments at various levels. Finally, improve budget transparency by disclosing fiscal information to the public, allowing all sectors of society to better supervise and participate in the budget formulation process. Through citizen participation mechanisms, collect social needs to ensure that the budget is more aligned with people's interests.

Thirdly, reform the tax and fee system. The main reason for China's high broad-sense macro-tax burden is the excessive number of fee items and non-tax revenues. The large number of fee items makes the perception of tax burden among micro-entities significant. It is essential to firmly establish a people-centered development ideology, pay attention to the instrumental rationality of tax and fee policies, and prioritize their value rationality. Clarify the purpose, goals, and means of taxation, scientifically and comprehensively consider and reasonably adjust taxpayers' tax and fee burdens. In particular, reduce the macro-tax burden by decreasing the categories and quantities of social security contributions, non-tax revenues, and fund revenues in addition to taxes, effectively lowering tax costs and eliminating tax barriers. To address this issue, the key is to redefine the nature of taxes and fees, eliminate or convert existing fee items, and establish an income distribution system adapted to the socialist market economy, with taxes as the mainstay and fees as supplements.

6. Conclusion

Based on the policy context of tax and fee reductions, this paper systematically analyzes the current status, international comparisons, and optimization pathways of China's macro tax burden, drawing the following conclusions:

(1) China's macro tax burden is generally within a reasonable range, but structural imbalances remain prominent.

Calculations under different measurement scopes (narrow, medium, and broad) indicate that China's macro tax burden has shown a declining trend in recent years, reflecting the positive effects of tax and fee reduction policies. However, the distribution of tax burdens is uneven across industries, regions, and enterprise types. Sectors such as manufacturing, private enterprises, and small and medium-sized enterprises perceive higher actual tax pressures, deviating from macro-level data.

(2) International comparisons reveal that China's macro tax burden is lower than that of developed economies, but hidden burdens require attention. Using tax revenue as a percentage of GDP as the benchmark, China's macro tax burden is significantly lower than the OECD average. However, when incorporating broader government revenues such as social security contributions and land transfer income, the tax burden approaches levels seen in some mid-tier developed countries. Additionally, the high proportion of non-tax revenues and complex administrative fees exacerbate the perceived burden on micro-level entities.

(3) The disparity between macro and micro tax burdens stems from institutional design and policy transmission mechanisms. The indirect tax-dominated structure of China's tax system makes tax burdens more easily transferable to end consumers. Meanwhile, enterprises—especially SMEs—face high compliance costs in tax adherence and social security contributions. Coupled with local governments' reliance on non-tax revenues, these factors amplify the subjective "pain" of tax burdens at the micro level.

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