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Research on Evaluating and Regulating the Rapid Wealth Growth Rate of High Income Groups from the Perspective of Policy Literature

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Abstract

Social inequality is a complex and profound phenomenon, with diverse roots and manifestations. One significant aspect is the rapid growth of wealth among high-income groups, which widens the wealth gap compared to middle and low-income groups. This article explores the necessity and possible strategies to promote social equity; Improve social stability; Promote sustainable economic development; Enhance social cohesion; Starting from the necessity of preventing economic crises in these five aspects, possible strategies are proposed, mainly involving: adjusting tax policies; Wealth redistribution policy; Promote employment and educational opportunities; Legal and policy framework; Strategies such as promoting international cooperation. Through the above strategies, it is possible to effectively control the rapid growth of wealth among high-income groups, promote social equity and sustainable development.

Keywords

Evaluation and regulation; High Income Groups; Research on Tax System.

1. Introduction

According to the 2022 China Private Wealth report released by China Merchants Bank, the total size of personal investable assets in China reached 278 trillion yuan, with a compound annual growth rate of 7% from 2020 to 2022. It is expected to exceed 300 trillion yuan by the end of 2024. The number of high net worth individuals with assets exceeding 10 million is 3.16 million, with a per capita asset size of 31.83 million, totaling 101 trillion yuan. The average compound annual growth rate from 2020 to 2022 will reach 10%. In the next two years, the number of high net worth individuals and the size of investable assets held in China will continue to grow at a compound growth rate of about 11% and 12%. The compound growth rate mentioned above was 10% from 2000 to 2022. In 2022, there were 9 provinces and cities with a high net worth population exceeding 100000, 19 provinces and cities with a population of over 50000, and 26 provinces and cities with a population of over 20000, an increase from 2020.

The traditional three major economic circles have maintained growth momentum, while western provinces and cities such as Chengdu and Chongqing have significantly improved. The provinces and cities with a high net worth of over 100000 people are Guangdong, Shanghai, Beijing, Jiangsu, Zhejiang, Shandong, Sichuan, Fujian, and Hubei. In other words, 0.2% of China's high-income population holds 36.3% of financial assets, and the growth rate far exceeds the average. The gap between the rich and the poor is constantly widening. The essence of socialism is to liberate productive forces, develop productive forces, eliminate exploitation, eliminate polarization, and ultimately achieve common prosperity.

2. Case Comparative Study

2.1. High welfare policies in Nordic countries

As is well known, Nordic countries are renowned for their high levels of social welfare and public services. The strategies adopted by these countries in dealing with the problem of rapid wealth growth among high-income groups mainly include a comprehensive high welfare and high tax model adopted by Nordic countries in dealing with the constraints of rapid wealth growth among high-income groups. This model aims to promote social equality and welfare while maintaining economic vitality and competitiveness. Nordic countries provide universal health insurance and free education from kindergarten to higher education. This reduces the financial burden on individuals and families, and improves the overall welfare and quality of life of society. Meanwhile, these countries have an adequate social security network, including unemployment insurance, parental leave benefits, and pension systems, to protect citizens from the impact of economic fluctuations. Nordic countries have enhanced the bargaining power of workers by supporting strong unions and encouraging labor market participation, which helps to achieve more equitable income distribution. Policies also tend to promote work life balance, improving the quality of life for workers through flexible work arrangements, sufficient paid leave, and other measures. Through significant investments in education and research and development, Nordic countries have promoted the development of the knowledge economy, created high-quality employment opportunities, and reduced dependence on a single high-income group.

The strategies of Nordic countries demonstrate a balance between social welfare and economic efficiency through comprehensive measures, rather than simply limiting wealth growth. These measures not only limit the rapid wealth growth of high-income groups, but also promote social equality and mobility by providing high-level social services, reducing social tension and economic inequality. This model demonstrates that while ensuring social equity, it can also maintain economic competitiveness and innovation capabilities.

2.2. Changes in US Tax Policies

2.2.1. Changes in tax policies

In the mid-20th century, the United States imposed a marginal tax rate of up to 90% on the highest earners. However, since the 1980s, especially during the Reagan administration, the highest marginal tax rate has significantly decreased. In recent years, whether to increase tax rates for the wealthy has once again become a focus of political discussion. The capital gains tax has a direct impact on constraining the wealth growth of high-income groups. The adjustment of tax rates reflects the continuous pursuit of a balance between investment incentives and fair taxation. Inheritance tax and gift tax are important tools to prevent unfair growth in intergenerational wealth transmission. The United States has also undergone adjustments in its policies in this regard to seek to avoid wealth concentration.

2.2.2. Regulatory policies

The anti-monopoly laws in the United States aim to prevent the abuse of market dominance and limit the formation of oligopoly, which has an indirect impact on controlling the wealth growth of individual high-income groups. After experiencing multiple financial crises, the United States has strengthened its regulation of the financial industry, aiming to limit excessive speculation and promote market stability. Although these measures are mainly for financial security considerations, they also have an impact on the speed and manner of wealth growth.

It is regrettable that despite the aforementioned measures, wealth inequality in the United States has significantly intensified in the past few decades. The proportion of wealth owned by the wealthiest 1% has significantly increased, and the economic growth of the middle class and low-income families is relatively slow. At the same time, social mobility has decreased, making

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it more difficult to move from lower income groups to higher income groups. The intensification of wealth inequality has also deepened economic and political divisions, and discussions on how to redistribute wealth through taxation and government spending have become more intense.

3. Policy recommendations

Common prosperity is not egalitarianism. Constraining and regulating the rapid wealth growth rate of high-income groups is not forcing everyone to maintain consistent income growth. We allow for more work, more pay under legal circumstances, and wealth growth under legal circumstances. Therefore, we propose the following suggestions:

3.1. Tax policy adjustments

Property transfer, franchise fees, and high value-added labor income are the main sources of income for high-income individuals in China. They can avoid taxes through transfer pricing during the transaction process. Therefore, Chinese tax authorities can first analyze the relevant behaviors of high-income individuals in tax avoidance cases and explore specific operational methods of transfer pricing rules at the individual level. Then, it is necessary to clarify the principle of "related parties and independent transactions" at the individual level, and at the same time, provide specific explanations on the tax adjustment methods for transfer pricing.

3.1.1. Improve the "Abandonment and Tax Clearance" Clause Personal Income Tax Law

We can draw on the experience of the US abandonment tax to stipulate that all assets, including financial assets, real estate, and other real estate held by individuals who have cancelled their Chinese nationality, are considered to be sold at fair value, and all proceeds related to the sale of assets must be taxed in accordance with tax laws. At the same time, in order to regulate the behavior of individuals who have withdrawn their Chinese nationality, it should be stipulated that Chinese tax authorities have the right to recover taxes on their taxable assets and related income for a certain period of time after withdrawing their Chinese nationality. It is often found that individuals who have evaded taxes before the cancellation of their nationality can also recover late fees. While improving the supporting rules for personal income tax anti avoidance, it is also necessary to promptly introduce tax collection management and anti avoidance tax laws and regulations targeting high-income groups.

In accordance with the spirit of the National Taxation Bureau's Document No. 54 and the National Taxation Bureau's Document No. 50, the high-income group will be distinguished from other groups of people in relevant tax laws and regulations, and special management will be carried out for the high-income group to carry out special anti tax avoidance measures. By revising tax laws and regulations to clarify the special characteristics of high-income individuals, separating them from ordinary management, and implementing more transparent management, we aim to more effectively carry out anti tax avoidance work against high-income individuals.

3.1.2. Introduce tax systems related to new economic formats

The rapid development of China's digital economy, especially after the outbreak of the epidemic, has led to the emergence of fields such as online education, online communication, and e-commerce economy, gradually becoming the mainstream of the new economic era. However, China lacks relevant laws, regulations, and institutional provisions in the field of taxation to regulate business activities in the context of the new economy. At the same time, due to the lag of tax regulations in related fields, it also provides new tax avoidance methods for high-income groups. Therefore, China needs to quickly introduce tax regulations and anti tax avoidance provisions related to the digital economy. However, with the rapid development of the digital economy, industries and populations that have emerged have also shown diversified

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characteristics. The tax department must, on the premise of fully understanding and grasping the characteristics of the development of the digital economy, combine with the actual situation of tax management in China, and formulate a set of tax laws and regulations that comply with its development laws. Through clear legal provisions, effective monitoring of tax related activities in this field can enable tax authorities to have a more accurate and comprehensive understanding.

3.1.3. Utilizing big data technology to strengthen the supervision of tax related information

Information asymmetry is the fundamental reason for the difficulty in monitoring tax sources and incomplete tax related information among high-income individuals. By utilizing the data mining and processing capabilities of big data technology, massive amounts of tax related information can be quickly screened, centralized, and stored, which can greatly reduce the workload of tax authorities in the process of collecting, inspecting, analyzing, and inspecting tax related information, and significantly reduce the human and material costs of tax collection and management. By fully utilizing the unique advantages of big data technology, tax authorities can not only effectively obtain and utilize tax related information of high-income individuals, but also comprehensively monitor all types of economic activities, income characteristics, and tax source distribution of high-income individuals, helping tax departments break through barriers such as inadequate collection of tax related information and low tax inspection efficiency.

3.2. Improving Social Policy Reform for Wealth Redistribution

Promoting wealth redistribution and improving the accessibility and quality of public services, ensuring that all groups, especially low-income groups, benefit, requires a series of comprehensive social policies. These policies should not only focus on the redistribution of wealth, but also ensure social justice and fair opportunities. Improve the quality and accessibility of public services, increase investment in public education, and ensure broad access and high quality from early childhood education to higher education, especially in low-income communities. At the same time, by expanding the coverage of public health insurance, ensure that all groups have access to necessary medical services and reduce the incidence of poverty caused by illness. Implement public housing projects and social security plans to provide stable and affordable housing options for low-income families. Improve labor market conditions, set or raise minimum wage standards, and ensure that full-time work provides basic living security. Implement flexible working hours, family friendly policies, and paid leave to improve work quality and support a balance between family and work.

3.3. Establishing a sound legal framework to promote fair market development

3.3.1. Further deepen international cooperation against tax avoidance

Most of the tax avoidance behaviors of high-income individuals in our country are related to cross-border economic activities. Therefore, while paying attention to the anti tax avoidance work of high-income individuals in China, we should also increase the importance of anti tax avoidance work for cross-border high-income individuals. With the continuous deepening of the Common Declaration Standards and BEPS Action Plan, China should absorb and transform existing anti tax avoidance experiences and tax reform achievements, strengthen tax information exchange and cooperation with various countries, in order to effectively regulate and combat cross-border tax avoidance behavior of high-income groups. For high-income individuals, under the globalization process of CRS tax information exchange, their overseas assets will eventually be exchanged. If there are related tax related illegal behaviors, they will face administrative or criminal penalties. However, if high-income individuals proactively report overseas asset information, it can not only help tax authorities understand the tax situation, but also avoid the risk of tax penalties. If the voluntary disclosure system for overseas

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information can be well implemented, it can not only improve tax compliance and reduce tax collection and management costs, but also solve the anti tax avoidance difficulties caused by cross-border information asymmetry, effectively preventing the occurrence of cross-border tax avoidance behavior.

3.3.2. Promote fair competition in the market

The key to promoting fair competition in the market lies in establishing and maintaining a sound legal framework that aims to promote transparency, prevent and correct anti competitive behavior, and encourage innovation and efficiency. Here are several suggestions for building a legal framework: regularly review and update antitrust laws to ensure they can address the challenges posed by emerging market structures and technological advancements, such as monopolistic issues in the digital economy. By increasing the severity of fines and sanctions, the economic cost of violating antitrust laws can be increased, thereby playing an effective deterrent role. Ensure that intellectual property protection not only motivates innovation but also does not become an obstacle for new entrants. This may include carefully setting the patent protection period and scope to avoid abusing patent litigation. Through these measures, a more stable and flexible legal framework can be established, which can promote fair competition in the market and adapt to new challenges brought about by economic development and technological progress. This is not only beneficial for the protection of consumer rights, but also for the long-term health and sustainable growth of the economy.

4. Conclusion

Limiting the wealth growth of high-income individuals is crucial for promoting overall social harmony and sustainable development. This is not only conducive to achieving social equity and reducing inequality, but also helps maintain economic stability and sustainable development, and can promote social stability and harmony. Therefore, when formulating policies and legal frameworks, attention should be paid to limiting the wealth growth of high-income groups in order to achieve comprehensive social development and progress. In today's society, unequal distribution of wealth has become a global issue, affecting social harmony and sustainable development.

Acknowledgements

Although many countries and regions have taken different measures to alleviate this problem, finding an effective and fair solution remains a complex and arduous task. Therefore, this article calls for more academic research and social experiments to explore effective solutions to limit the rapid wealth growth of high-income groups.

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