

# Research on the Tax Dilemma of Network Broadcast Industry and Countermeasures

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**Abstract.** With the rapid development of new forms of Internet business, the network broadcast industry has gradually become the tuyen. The huge tax evasion event of network anchors such as Huang Wei and Lin Shanshan broke out, which caused huge social public opinion, but also reflected that there are many special difficulties in the tax work of network broadcast industry at present. However, the existing tax collection and administration system of China can not adapt to the needs of the emerging industry, which induced a series of tax evasion events. This paper will grasp the particularity of the tax work in the network live broadcast industry and analyze the realistic difficulties encountered by the tax authorities in the taxation of network broadcast industry, and put forward the countermeasures for the situation of our country based on the international advanced experience, and propose a new way to deeply integrate the tax work and high-tech.

## 1 Introduction

In recent years, the development of the Internet has been in full swing, giving rise to many emerging industries. Under this trend, the network broadcast industry emerged and gradually grew stronger, becoming a phenomenon industry in the new form of Internet business. As of June 2021, the number of users has exceeded 638 million, up 75.39 million year on year, accounting for 63.1 percent of all Internet users, according to the 48th release by China Internet Network Information Center (CNNIC). It can be seen that both the capital scale and the user scale of the network broadcast industry are developing rapidly. However, in recent years, practitioners in the network broadcast industry have frequently evaded tax, and the amount is huge, which has brought negative impact to the society, damaged the authority of laws and tax authorities, and triggered adverse social public opinion. For example, in 2021, Huang Wei (a network anchor engaged in e-commerce and live streaming) made false tax declaration by concealing personal income and fictitious the nature of business income conversion, and was prosecuted for tax payment, late fee and fine, totaling 1.341 billion yuan; As soon as the news broke, the Internet denounces, doubts emerge in endlessly. And many network anchors have been evading tax in various ways, which has brought great challenges to the work of tax authorities. In this regard, the author analyzes the unique tax dilemma of the network broadcast industry, in order to

give advice and suggestions for the tax collection and management of the network broadcast industry.

## 2 Characteristics of tax-related matters in the network broadcast industry

According to the Regulations on the Administration of Live Internet Broadcast Services issued by the Cyberspace Administration of China, live network broadcast refers to an activity based on the Internet that continuously releases real-time information to the public in the form of video, audio, graphic and text. It is characterized by convenience, interactivity and real-time performance. Relying on the new form of Internet business, the tax-related matters of network broadcast industry have typical characteristics such as concealment, ambiguity and liquidity.

### 2.1. Concealment

In the era of digital economy, transaction subjects are gradually dispersed and tax avoidance methods are becoming more and more diverse, which makes the tax related matters in relevant industries more hidden. In terms of the network broadcast industry, users' tipping fees are the main source of income for anchors. With the booming development of online payment platforms, many users will choose to tip privately. Such income is indirect and difficult to be detected, and all parties to the transaction rely on the network, which is highly decentralized and difficult to track. <sup>1</sup>On the other hand,

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tax avoidance methods in the era of digital economy are also more varied. Due to the characteristics of the Internet industry, which is highly volatile and rapidly updated, tax-related information is also very easy to be hidden and tampered with. Many anchors evade taxes by falsely reporting business and changing the nature of income, which brings challenges to the work of tax authorities. As a result, tax information is not equal, and relevant tax-related matters are difficult to be fully grasped by tax authorities, which reflects the extremely strong concealment of tax-related matters in the network broadcast industry.

## 2.2 Ambiguity

As a new industry, network broadcast has not formed unified industry norms and practices compared with the traditional industry, and there are still many ambiguities and blank areas about the tax-related matters of anchors. Mainly reflects in: The fuzziness of the definition of income nature and the fuzziness of the division of tax liability. First, the income sources of network anchors are complex and diverse, and the income nature of the current law in China, such as tipping fee and pit fee, is not clear, and there are many opinions in practice; Second, the business models of network anchors and platforms are diverse and flexible, and the tax obligations of anchors and platforms are not clearly divided in law and practice. These ambiguities bring many difficulties to the work of tax authorities.

## 2.3 Liquidity

Compared with traditional industries, practitioners of network broadcast industry have the characteristics of cross-platform and cross-region. On the one hand, many network anchors often work on several different live streaming platforms and get income. Only through the integration of income from these different sources can the tax payable of anchors be determined.<sup>2</sup> Moreover, the work of network anchors is free, and they often work across regions, and many anchors make use of the tax policy levied by regions to pay less tax. At present, Chinese tax authorities still lack a platform for tax-related information sharing, and cross-regional tax collection and management is still the pain point and difficulty of the work.

# 3 The dilemma unique to the taxation of network broadcast industry

## 3.1 Difficulty in visualization of anchors' income

The income sources of network anchors are quite mixed, including but not limited to commissions, pit fees, commissions, rewards and so on. Besides, anchor salary calculation methods of each platform is variety and complex. Some calculate salary according to the broadcasting duration, some adopt commission system, based on the basic salary, plus the commission

calculated according to the actual sold goods. There is also a way to calculate the salary, in which the anchor sets the price independently and calculates the difference between the supply price as the basis for the salary calculation. In addition, There is also a hybrid system, which is a proportional combination of various methods of calculating salary. This raises the questions of which revenue sources are included in the various calculation methods, which income is not included in the platform calculation method, and which taxes should be levied, so on. The difference in the amount of income tax paid by different calculation methods is great, which gives opportunities for tax evasion.

## 3.2 Loopholes at the legislative level

Our current Law of the PRC on the Administration of Tax Collection is formulated on the basis of traditional industries and entity businesses, for the network live industry and other new forms of Internet business industry, the tax regulations still have vacancies. The current laws and regulations do not make clear provisions on the tax registration system, income classification and tax rate of the new Internet business type industries, and there are still loopholes in the tax legislation in this field. For example, in the network broadcast industry, anchors have various business models and income sources, but the existing laws still do not make clear provisions on which income should be taxed and at which tax rate.

In order to adapt to the continuous development of new Internet formats, Law of the PRC on the Administration of Tax Collection is in constant revision and reform, from 1995 to 2015 after four times, but it is still in the traditional economy on the basis of tax regulation emphasizes tax modernization and informatization.<sup>3</sup> But for the digital economy of the emerging industries, such as network broadcast industry, there are no detailed implementation rules; In 2018, China promulgated the Electronic Commerce Law, which to a certain extent has perfected the tax administration system in the field of electronic commerce. However, the definition of the tax liability of each subject of the network broadcast industry and how to implement the tax payment process are still blank at the legal level.

## 3.3 Information asymmetry in the work of tax authorities

Due to the concealment and paperless of the network broadcast industry, the problem of tax-related information asymmetry is particularly prominent. Current tax collection and management means still can't adapt to the need of network broadcast industry tax management.

To be specific, first, the development of tax collection and administration technology lags behind the development of other new Internet business technologies. With the booming development of the new Internet business type economy, the payment platform and

payment method of network broadcast transaction have more choices. Anchors can collect payment by Alipay, wechat and other means, which is difficult for tax authorities to detect and distinguish the nature of each income. At the same time, with the continuous expansion of the scale of the network broadcast industry, the network broadcast platform is associated with a large number of enterprises, business exchanges between enterprises are more complex, and the interest disputes are greater. So it is difficult for tax authorities to track the whole transaction information and ensure the authenticity of tax-related data. Second, the tax authorities have not built an information sharing platform, local tax departments lack communication, and cross-regional tax work is inefficient, which gives cross-regional and mobile network anchors an opportunity to evade taxes. At the same time, tax authorities also lack communication with external platforms. They have not established an information sharing mechanism with payment platforms such as Alipay and wechat, and data sharing involves legal issues of privacy and supervision, so the data provided by third-party payment platforms is very limited.<sup>4</sup>

## **4 Reference and internalization of international experience**

### **4.1 The introduction of a digital tax**

Digital tax was first advocated by the Organization for Economic Cooperation and Development (OECD), which is fully called "digital service tax". It refers to a tax specially levied on the effective profits of the digital service industry. The network broadcast platform mentioned in this paper also belongs to the scope of its levy.

On 19 October 2017, the European Council released a report on digital taxation, in which EU leaders called for "efficient and fair tax systems suitable for the digital age". The EU has been pushing for a digital service tax since May 2015, but had to suspend it due to opposition from some countries. Despite the stumbling blocks in the EU, as of 2021, 43 countries have introduced or are proposing to introduce digital taxes, with national implementation in every state.

Although the full implementation of digital tax is still facing quite a challenge in China, but its concepts and methods are worth learning. The profit and operation modes of the network broadcast industry are quite different from those of the traditional industry. However, our Tax Administration Law is formulated on the basis of traditional industries. If taxation is carried out in accordance with the original provisions, it will be unable to adapt to the economic environment of the new Internet industry, which will leave huge space for tax evasion in the new industry such as network broadcast industry. The establishment of special taxes on these new industries can effectively avoid these problems.

### **4.2 Information sharing mechanism**

On 22 March 2022, the Council of the European Union adopted an amendment to the Tax Administration Cooperation Directive to extend EU tax transparency rules to include sellers of digital economy platforms, as individuals and businesses often do not report the income they receive when using digital platforms, resulting in a loss of tax revenue to member States. Member states are required to automatically exchange information on the income of sellers on platforms to ensure that sellers pay their fair share of taxes.<sup>5</sup> Other parts of the amendment improve the exchange of information and cooperation between the tax authorities of the Member States. By clearly defining the income declaration obligation of platform sellers and the information exchange obligation of member States, it helps member states obtain complete and clear tax-related information of sellers on digital platforms, and promotes the integration and transparency of tax work.

In China, due to the problem of administrative planning, the tax data of various provincial units are not unified or interconnected. The Yangtze River Delta region began to explore fiscal and tax integration in 2020. It can be seen that there are still defects in cross-provincial tax management. Strengthening administrative cooperation and realizing full data sharing among provinces is a big boost to tax regulation.

### **4.3 Classification tax declaration and management system**

Japan adopts the blue and white tax return system in tax declaration. Taxpayers with good tax reputation can fill in the blue statement, reduce their extra tax payment process, and obtain the corresponding tax benefits. At the same time, the tax authorities also carry out irregular spot checks on the blue statement fillers. If the fraud is found, the qualification of the blue statement will be cancelled, and the tax authorities will re-investigate and calculate the tax payable. This system can not only encourage taxpayers to comply with tax payment, promote their active tax payment, effectively regulate the phenomenon of tax evasion, but also improve the work efficiency of tax authorities, making the tax relationship form a virtuous circle. In addition, German tax authorities also adopt a classified management system for network anchors, focusing on monitoring high-income anchors while conducting random spot checks on ordinary income anchors<sup>6</sup>, so as to strike a balance between preventing tax evasion and improving government work efficiency.

This classification tax declaration system can be used as reference for our country. However, considering the frequent tax evasion of network anchors in China, we should strengthen the overall supervision of network anchors on the basis of hierarchical management. To be specific, the author suggests that tax authorities should distinguish different types of network anchors and implement hierarchical and classified management according to their income and previous tax credit.

## **5 The application of emerging technologies in the field of taxation**

### **5.1 "Big Data" + tax collection and management**

At present, China has not established a mature third-party information reporting system, and the independent taxpayer reporting system is difficult to implement. It is still a long way from achieving the integrity of tax data. On the other hand, tax declaration lags behind the implementation of tax obligations, and the declaration data examined by tax authorities are static financial information, which lacks the monitoring of taxpayers' financial dynamic changes<sup>7</sup>, and the timeliness of tax data is insufficient, leaving a gap for tax evasion. And at present, the data analysis methods of our country's tax departments are mainly based on classification and general description and lack of deep analysis of the tax data. Tax authorities are limited in their ability to analyze and integrate data and cannot detect tax evasion in time. The asymmetry of tax-related information and the backwardness of tax authorities have caused the tax dilemma of network broadcast industry.

Tax big data refers to the multi-dimensional collection of information related to taxpayers on tax information systems and various third-party platforms, including tax-related data generated by all economic behaviors of taxpayers. If these big data are summarized and systematically analyzed, it will be able to effectively screen taxpayers with the risk of tax evasion and effectively break the dilemma of tax work caused by information asymmetry.

At present, our tax authorities use big data tools to a certain extent in their work, but there is still room for improvement in the ways of using and thinking.

First of all, big data can also be used in the top-level design of the tax system, which can be used to predict and analyze the changes in the tax economic relationship scientifically<sup>8</sup>, so as to improve the corresponding laws, regulations and system design, and make the tax system more compatible with the economic environment of the new Internet business.

Secondly, at the law enforcement level, tax departments should fundamentally change their working concepts. Using big data, tax authorities can change their working mode from the traditional "problem occurring-problem analysis -reason finding -problem solving" to "data collection -quantitative analysis -relationship finding -process optimization" to better achieve the purpose of preventing tax evasion.

### **5.2 "Blockchain" + tax collection and administration**

Blockchain technology is a new technical means to improve the ability of tax governance. Due to its technical advantages of data immutability, permanence and transparency, blockchain technology has undoubtedly become an important technical support for tax collection and administration in the digital economy era.<sup>9</sup> In August 2018, Shenzhen Taxation Bureau issued

the first blockchain invoice, which was gradually promoted in 2019. By March 2020, Beijing, Guangzhou, Yunnan and other places had successively launched blockchain electronic invoices. Compared with traditional electronic invoices, the biggest feature of blockchain invoices is the use of blockchain's non-tamper-proof, anti-denial, anti-deletion distributed ledger technology.<sup>10</sup> Tax authorities can also use blockchain invoices to trace the source, authenticity and entry information of invoices. The application of blockchain invoice can simplify the tax process, reduce the cost of tax work, and improve the efficiency of tax collection and administration.

However, the process of electronic invoice in our country is still underway, and the popularization of blockchain in the field of tax collection and administration is difficult to be achieved. While, in view of the geographical clustering characteristics of the network broadcast industry, the author suggests that we can pilot and promote the blockchain e-invoice in regions with more developed new forms of Internet business. In these regions, we can take the lead in deeply integrating blockchain technology with tax collection and administration, and strengthen the tax collection and administration of the network broadcast industry. This can also facilitate the simplification of the tax process, encourage practitioners to pay taxes independently, and promote the healthy and sustainable development of the industry.

## **6 Suggestion and countermeasure**

### **6.1 Improve legislation in related areas**

Tax collection law is the basis for Chinese citizens to perform tax obligation, but also the fundamental guarantee of our rights and interests. Under the background of the vigorous development of various new Internet industries, we should innovate the tax collection law in keeping with The Times so that it can better serve the economic and social development of our country.

In order to regulate the healthy development of the network live broadcast industry, China has issued the Measures on the Marketing Management of Network Live Broadcast (Trial) and the Opinions on further regulating the profit-making behaviors of network live broadcast to promote the healthy development of the industry. The author believes that the emphasis on the platform's withholding tax obligation is very meaningful. On this basis, the relevant legal documents should further clarify the responsibilities and consequences of the platform's failure to fulfill the withholding tax obligation. In addition, according to the special income nature of the network broadcast industry, a new appropriate tax should be formulated, the tax obligation between the platform and the anchor should be clearly divided, and the information reporting obligation of the platform should be clearly stipulated. At the same time, the obligation of the third-party platform to provide information should be stipulated in legal form, and the scope of information should be divided in detail, so as to



protect the privacy of the parties and ensure the transparency of tax-related information.

## 6.2 Rely on emerging technologies to improve the efficiency of collection and administration

At present, one of the main reasons for the dilemma of tax collection and administration in the network broadcast industry is that the technology of tax collection and administration lags behind that of the new industry. Therefore, tax collection and administration should also keep pace with The Times and actively integrate with high and new technology.

Tax authorities should make good use of "big data", "blockchain" and other emerging technologies, give full play to the function of technology to serve humanity, facilitate the tax work process, improve the efficiency of tax work, and effectively supervise the phenomenon of tax evasion with high and new technology. At present, although Chinese tax authorities also use big data and blockchain technologies, there is still a considerable distance to mature application and complete integration. We should focus on overcoming difficulties, introduce professional and technical personnel, actively develop new technologies, improve our ability to analyze and integrate tax-related information, and explore new ways to combine tax work with big data, blockchain and other technologies.

## 6.3 Build an information sharing platform

Information asymmetry is a key problem that makes the work of tax authorities difficult, especially in the emerging industries such as network broadcast industry. The digital economy era is a double-edged sword. Taxpayers can easily hide information, and tax authorities can also obtain information.

On the premise of relevant legislative guarantees, we should establish an information sharing mechanism between tax authorities and live-streaming platforms and third-party platforms, so that tax authorities can obtain relevant transaction information of taxpayers in a timely and comprehensive manner, which helps to urge taxpayers to pay taxes in full and prevent tax evasion. At the same time, a unified tax-related information platform should be established within the government to realize the unimpeded flow of information across regions, levels and departments, so as to avoid the phenomenon of double taxation or less tax and no tax due to the mobility of network anchors. In addition, we should also strictly examine the applicable people of the verification collection system to prevent network anchors from abusing local preferential policies to evade taxes.

## 7 Conclusions

To sum up, the rise of the network broadcast industry and the frequent tax evasion of anchors in recent years have made the unique tax dilemma of the network broadcast industry emerge, including difficulties in visualization of anchors' income, loopholes in legislation,

information asymmetry and other problems. From the perspective of learning from international experience, the author proposes that the "digital tax" of the European Union can be used for reference to develop new appropriate taxes, and classification tax management system of Japan and Germany can be copied to conduct tax supervision with different intensity on different types of anchors, and the tax-related information sharing mechanism among EU countries can also be learned. From the perspective of using emerging technologies, the author puts forward two ideas: "big data" + tax collection and management and "blockchain" + tax collection and management.

Finally, the author summarizes the countermeasures at three levels, that is, improving legislation, using new technology, and building an information sharing platform, hoping to offer advice and suggestions for the further development of tax work.

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