WEP Warwick Evans Publishing

International Journal of Global Economics and Management

ISSN: 3005-9690 (Print), ISSN: 3005-8090 (Online) | Volume 5, Number 3, Year 2024
DOI: https://doi.org/10.62051/ijgem.v5n3.32
Journal homepage: https://wepub.org/index.php/IJGEM/index

Analysis of the Impact of Tax Reduction and Fee Reduction Policy on Chinas Economic Structure Optimization and Local Financial Risks

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ABSTRACT

This paper comprehensively analyzes the impact of tax reduction and fee reduction policies on the integration of Chinas digital economy and the real economy, the upgrading of industrial structure, local financial risks and other aspects. Research shows that tax cuts and fee cuts have generally promoted the optimization and upgrading of the economic structure, but the regional differences are significant, and the impact on local government debt risks is uncertain. The article suggests that tax and fee reduction policies should be adjusted according to the economic and social development, and the tax structure should be optimized to achieve high-quality economic development. At the same time, it emphasizes the important role of fiscal decentralization in regulating the relationship between tax reduction and fee reduction and local financial risks, and puts forward corresponding policy suggestions.

KEYWORDS

Tax reduction and fee reduction; Economic structure optimization; Fiscal risk

1. INTRODUCTION

Tax cuts and fee cuts have become an important measure for China to implement a proactive fiscal policy. Whether it can effectively promote the growth of residents income is the key to measure the success or failure of the policy. In view of this, the macro tax burden is taken as the entry point to evaluate the effect of tax reduction and fee reduction policies, and based on the provincial panel data of 2007-2022, the resident income increase effect of tax reduction and fee reduction policies is systematically tested, and the role mechanism is explored. The study found that tax reduction and fee reduction can effectively promote the growth of overall income level in the short term, but the income effect of rural residents is not significant, and it is difficult to produce a lasting income effect; From the heterogeneity analysis, in the central and western regions and the middle and low income groups, the intensity and the coordination between fiscal revenue and expenditure policies is insufficient; From the mechanism test, promoting economic growth, creating new jobs and raising wages are the key channels of tax reduction and fee reduction to promote the growth of residents income. Therefore, in the implementation process of tax reduction and fee reduction policies, we should timely pay close attention to the changes in the income gap between urban and rural residents, and further enhance the precision and coordination of tax reduction and fee reduction policies.

Tax and fee cuts are a major measure for China to deepen supply-side structural reform, which is of great significance to promoting high-quality development of the Chinese economy. In combination with the characteristics of Chinas fiscal and tax system reform, we will build a dynamic random general equilibrium model to measure the effectiveness of tax reduction and fee reduction policies in the high-quality development stage. The study found that tax and fee cuts can not only play a good role in the aggregate demand stimulus in the short term, but also promote high-quality economic development by optimizing the supply and allocation of factors. In addition, the implementation effectiveness and transmission mechanism of different tax reduction and fee reduction policies have obvious differences. The short-term stimulus effect of consumption tax reduction policy is strong, but the policy effect is not sustainable; the policy of VAT reduction and social security fee reduction is stronger and lasting, which helps to stabilize expectations and boost market confidence; the income tax reduction policy helps to stabilize growth and promote employment, but crowding out private expenditure. Therefore, we should continue to deepen the reform of the fiscal and tax systems, and gradually optimize the current tax system structure in China. At the same time, according to the characteristics of policy objectives and policy tools, through the combined tax policy, to form a policy force to promote high-quality development.

As an important strategic deployment to promote economic transformation and upgrading, fiscal and tax policies can realize the redistribution of production factors such as labor, capital, technology and data among different industries, which has a significant impact on the upgrading of industrial structure. Based on the selected panel data of 30 Chinese provinces (autonomous regions and municipalities directly under the Central government) from 2004 to 2019, this paper uses a two-way fixed-effect model to test the impact of tax reduction and fee reduction on the upgrading of industrial structure and the mechanism role of green technology innovation in it. The research results show that tax reduction and fee reduction have a promoting role in the rationalization and upgrading of industrial structure, and the conclusion is still established after endogenous treatment and robustness verification. Green technology innovation plays a significant regulatory role in the process of tax reduction and fee reduction to promote the upgrading of industrial structure. This paper holds that the optimization of the macro tax system structure should be promoted, the tax system "tax reduction" and "simple tax" should be considered, and the precision of the preferential tax policies of the industrial chain should be improved, so as to guide the high-quality economic development.

Giving full play to the green effect of tax and fee cuts and helping the development of new quality productive forces is a major goal of the current tax policy adjustment. Based on the data of Chinese listed industrial companies, the impact of tax reduction and fee reduction on the green total factor productivity of enterprises is effectively tested. The research found that: 1) tax reduction and fee reduction can significantly improve the green total factor productivity of enterprises, The conclusion remains true after a series of robustness tests, Among them, the improvement effect of fee reduction is better than the effect of tax reduction, In the tax reduction, reducing the income tax burden can significantly improve the enterprise VAT more than reducing the enterprise green total factor productivity; 2) Mechanistic analysis found that, There are significant differences in the path of green total factor productivity, Tax cuts can improve the green total factor productivity of enterprises through capital-biased technological advances coupled with human capital levels, The fee reduction can be exerted on the green total factor productivity through labor-biased technological progress; 3) Heterogeneity analysis found that, The green effect of tax and fee cuts will be more significant in the stage of tax and fee cuts across the board and when non-state-owned enterprises and enterprises maintain a reasonable intensity of research and development.

2. ORGANIZATION OF THE TEXT

2.1. The Impact of Tax Reduction and Fee Reduction on Fiscal Policy and Economic Growth

In recent years, China has implemented a series of tax and fee reduction policies. Tax reduction and fee reduction is a tax policy affecting the high-quality development of manufacturing enterprises.

This paper selects the empirical data of the 100 index of smes in 2014 and 2021, and analyzes the effect of tax reduction and fee reduction on the high-quality development of small and medium-sized manufacturing enterprises by using the multi-point point double difference (DID) model. The study shows that the implementation of tax reduction and fee reduction policy will be more about it. Therefore, in order to further improve the role of tax reduction and fee reduction on promoting the high-quality development of small and medium-sized manufacturing enterprises, differentiated tax reduction and fee reduction policies should be implemented for small and medium-sized manufacturing enterprises with different property rights, different industrial technology levels and different product market competition levels. In addition, when implementing the tax reduction and fee reduction policies, we should fully consider the impact of local government deleveraging on the tax reduction and fee reduction policies, so as to better develop themCutting taxes and fees to promote the high-quality development of small and medium-sized manufacturing enterprises

In the new stage of development, the integrated development of the digital economy and the real economy is an inevitable trend. This paper first analyzes the tax cuts JiangFei to promote the development of digital economy and real economy integration direct and indirect mechanism, then build the index system of digital economy and real economy and integration coordination model, in 2013-2022 national 31 provinces digital economy and real economy integration development level, and on the basis of testing the current our country vigorously implement tax cuts JiangFei policy, whether will produce incentive effect of digital economy and real economy integration development. The study found that: from 2013 to 2022, the integrated development level of digital economy and real economy in 31 provinces is increasing year 22, while the differences between digital economy and real economy are highlighted; the tax reduction and fee reduction policy can promote the integrated development of digital economy and real economy, but the combination of different regions and different tax types is obvious, and the effect of tax reduction and fee reduction is better than the combination of tax types and fee reduction of certain nature. At the same time, the tax reduction and fee reduction policies can indirectly promote the integrated development of the digital economy and the real economy by optimizing the tax system structure. Therefore, China should timely increase the tax reduction and fee reduction intensity according to the international and domestic economic and social development. In the process of cutting taxes and fees, we should take into account the differences between regions and constantly adjust and optimize the tax systemStructure, to better promote the integration of the digital economy and the real economy

Large-scale implementation of structural tax and fee cuts plays an important role in reducing the burden on enterprises, stimulating market innovation and promoting the upgrading of the industrial structure. Based on the provincial panel data from 2002 to 2022, this paper uses the fixed effect and intermediary effect model to test the impact and mechanism of industrial structure upgrading of tax reduction and fee reduction. The research shows that tax reduction and fee reduction have a promoting effect on the rationalization and upgrading of industrial structure, and the conclusion is still valid after endogenous treatment and robustness verification. Green technology innovation is an intermediary mechanism that cannot be ignored by tax reduction and fee reduction policies to promote the upgrading of industrial structure. This paper holds that the optimization of the macro tax system structure should be promoted, "tax reduction" and "simple tax" of the tax system should be considered as a whole, improve the precision of the preferential tax policies of the industrial chain and guide the high-quality development of the economy.

Since the central Economic Work Conference proposed the "structural tax reduction" in December 2008, China has adjusted its tax reduction measures and strategies for many times to promote the realization of the economic and social development goals in different periods. Accordingly, the theoretical circle has also investigated the effect of tax reduction and fee reduction in multiple dimensions. This paper sorts out the relevant research on tax reduction and fee reduction from the aspects of fiscal revenue and expenditure, resident income distribution, beneficiary destination, enterprise operation, employment and economic growth, and comprehensively analyzes the effect of tax reduction and fee reduction, aiming to give better play to the basic, pillar and guaranteeing role of tax revenue in national governance.

In order to ensure the improvement of fiscal policy efficiency, it is necessary to accurately assess the distribution of beneficiary groups and the income distribution effect of indirect tax reform. Based on the CFPS microscopic data from 2012 to 2020, Built an input-output tax price model, An empirical study on the temporal trend of income redistribution effect of indirect tax destination, The results show that the "expansion of the" VAT, the separation of tax items and the reduction of the general tax rate make the overall residents, In particular, the effective tax rate of indirect taxes for low-income groups has decreased significantly, Improved the level of social welfare; The indirect taxes and tax K index is negative, In the process of cutting taxes and fees, The structural adjustment of the tax system weakens its regressive nature; Indirect taxes have the income redistribution effect of reverse adjustment, However, the overall effect of indirect tax at this stage has been improved from-5.45% to-2.27%, Horizontal equity and vertical public average have been improved. Therefore, it puts forward suggestions to pay attention to the fairness of primary distribution, continue to implement the tax rebate, optimize the indirect tax rate and tax items, so as to give play to the advantages of the fiscal revenue system with indirect tax as the main body.

Based on the data of 16 prefecture-level cities in Shandong Province from 2010 to 2020, whether tax reduction and fee reduction will increase the risk of local government debt. The research results show that either in the short term or in the long term, it cannot be confirmed that tax and fee cuts will significantly lead to the expansion of local government debt, and even restrain the expansion of local debt, and this inhibition effect is more obvious in areas with low level of economic development. Based on this, it explains the reason why the tax reduction and fee reduction did not cause the risk of local government debt in terms of the revenue increase, expenditure reduction and effective tax base. Of course, while taking tax and fee cuts as an important means of promoting high-quality economic development, we should also pay attention to the fiscal risks, ensure healthy fiscal development, and better play the "multiplier effect" of tax and fee cuts.

Based on the PVAR model, the relationship between tax reduction and fee reduction, industrial structure upgrading and the quality of economic growth is investigated. The results show that there is regional heterogeneity in the coordination relationship between tax reduction and fee reduction, industrial structure upgrading and the quality of economic growth. The positive impact of tax reduction and fee reduction on the quality of economic growth is obvious, but due to the decreasing marginal effect of industrial structure and the rationalization of industrial structure, the impact of industrial structure upgrading on tax reduction and fee reduction and economic quality needs to be strengthened; the central region tax reduction and fee reduction and industrial structure upgrading can effectively promote the high-quality economic development, and the driving effect of economic growth quality on the upgrading of industrial structure needs to be enhanced; the driving effect of tax reduction and fee reduction and industrial structure upgrading on economic growth quality is insufficient.

2.2. The Impact of Tax and Fee Reductions on High-Quality Economic Development and Industrial Structure Upgrading

Tax and fee cuts are an important measure to meet the requirements of the new normal of the economy, deepen supply-side structural reform, and promote high-quality economic development. However, with the increase of tax and fee reduction, the contradiction between local fiscal revenue and expenditure has become increasingly prominent, and fiscal sustainability is facing challenges for a period of time. This paper measures the tax reduction and fee reduction by using the key words in the government report, and combined with the provincial panel data from 2016 to 2020, analyzes the impact of tax reduction and fee reduction on local finance, as well as the adjustment effect of fiscal decentralization on the relationship between tax reduction and fee reduction and local financial risks.

The empirical results show that tax reduction and fee reduction will increase the deficit risk, local debt risk and transfer payment dependence of local governments in the short term, but fiscal decentralization has a significant negative adjustment effect on the relationship between the two. The study not only confirms the potential impact of tax and fee reduction on finance, but also provides strong empirical support and specific policy suggestions for better implementation of tax and fee reduction policies, deepening the reform of the fiscal system and preventing local fiscal risks.

The Government Work Report of 2021-2023 all pointed out that phased tax reduction and fee reduction measures are combined with institutional policy arrangements. Therefore, properly handling the relationship between short-term tax reduction and fee reduction policies and long-term tax reform is conducive to ensuring the long-term sustainability of economic development. From the perspective of long-term economic growth, the effect mechanism of tax reduction and fee reduction policy is discussed. With the help of GMM analysis of provincial panel data, it is found that the short-term effect of tax policy is more significant and prominent. If the proportion of tax revenue of a province in GDP decreases by 1%, the actual GDP of the region will increase by 1.34%~1.51% in the current period. In terms of the long-term growth effect of the tax policy, the tax policy shows the "reverse effect" on the economic growth in the policy lag years. Accordingly, it is believed that the policies of tax reduction and fee reduction from the perspective of long-term economic growth mainly include: clarifying government fees and non-tax revenue, fully implementing the principle of legal taxation, strengthening the transparency and openness of tax collection and administration; adhere to the unification of tax reduction and fee reduction policies and the optimization of tax structure, guarantee the long-term and sustainability of the tax policy system; deepen the reform of budget management, weaken the tax planning and tax task, reduce the deviation of budget revenue and expenditure, strengthen the supervision and accountability mechanism of budget management, and ensure the efficiency of fiscal revenue and expenditure funds.

In order to promote high-quality economic development, China has implemented a series of tax and fee reduction policies in recent years. Whether enterprises can transform the policy dividend into the driving force of high-quality development is of great significance for China to accelerate the construction of a new development pattern and realize the Chinese-style modernization. This paper uses the data of Chinese industrial enterprises to empirically investigate the effect of tax reduction and fee reduction policy on the high-quality development of enterprises. The study found that the tax reduction and fee reduction policy can significantly promote the high-quality development of enterprises; the mechanism test proved that the tax reduction and fee reduction policy is conducive to helping enterprises in financing and increase the internal funds needed for high-quality development of enterprises. Further analysis shows that the incentive effect of the tax reduction and fee reduction policy on the high-quality development of enterprises is more significant in the sample of private enterprises and enterprises in areas with a low level of financial development, and this incentive effect will gradually converge over time. The results of this paper can provide inspiration for the further optimization of tax reduction and fee reduction policies and the active tax burden reduction of enterprises.

The study also suggests that the tax reduction and fee reduction policy has a positive impact on the innovation capability of enterprises. By reducing the financial burden on enterprises, it enables them to allocate more resources to research and development activities, thereby enhancing their innovation output and competitiveness. Moreover, the policy helps to optimize the industrial structure, as it encourages enterprises to shift from traditional industries to high-tech and service-oriented sectors, which are key to achieving sustainable development. The findings indicate that the government should continue to advance tax system reforms, making the tax policy more flexible and better suited to the needs of economic development, while also ensuring the fairness and efficiency of the tax system. In conclusion, the tax reduction and fee reduction policy is a powerful tool for promoting the transformation and upgrading of the economy, and it plays a crucial role in the process of China's economic transformation and upgrading.

In recent years, focusing on high-quality development, China has implemented a tax policy dominated by tax reduction and fee reduction. In order to accurately measure the effectiveness of the current policy and provide guidance for the policy formulation during the 14th Five-Year Plan period and the 2035 vision development stage, the paper constructs a new Keynes dynamic random general equilibrium model including Chinas tax structure and population structure, to investigate the transmission mechanism and economic effect of the current tax and fee reduction policy. It is found that in the implementation of tax reduction and fee reduction policy in China, the commodity tax reduction policy has the best effect, followed by the labor income tax reduction policy, and the investment tax reduction policy. In the medium and long term, with the deepening of the aging degree of the population, the positive effect of most tax policy regulation is weakened. According to the above conclusion, the paper puts forward the countermeasures and suggestions of current tax reduction and fee reduction from the perspectives of economic countercyclical tax reduction tools, tax structure adjustment of supply-side reform and supporting the strategy of actively coping with population aging.

To address the challenges posed by an aging population, the paper suggests that the government should optimize the tax structure by increasing the proportion of taxes on consumption and property, while reducing the reliance on labor income tax. This shift could help to stimulate economic growth and consumption, and alleviate the burden on the working population. Additionally, the paper recommends that tax policies should be more flexible and dynamic, capable of adjusting to the changing economic environment and demographic trends. This could involve the implementation of tax incentives for businesses that invest in technologies that increase productivity and create jobs, as well as the introduction of tax credits for families with children to encourage fertility rates. The paper also emphasizes the importance of a well-designed tax system that can act as an automatic stabilizer during economic downturns, providing a cushion against negative shocks and supporting the economy through countercyclical measures.

Tax cuts and fee cuts have become an important measure for China to implement a proactive fiscal policy. Whether it can effectively promote the growth of residents income is the key to measure the success or failure of the policy. In view of this, the macro tax burden is taken as the entry point to evaluate the effect of tax reduction and fee reduction policies, and based on the provincial panel data of 2007-2022, the resident income increase effect of tax reduction and fee reduction policies is systematically tested, and the role mechanism is explored. The study found that tax reduction and fee reduction can effectively promote the growth of overall income level in the short term, but the income effect of rural residents is not significant, and it is difficult to produce a lasting income effect; From the heterogeneity analysis, in the central and western regions and the middle and low income groups, the intensity and the coordination between fiscal revenue and expenditure policies is insufficient; From the mechanism test, promoting economic growth, creating new jobs and raising wages are the key channels of tax reduction and fee reduction to promote the growth of residents income. Therefore, in the implementation process of tax reduction and fee reduction policies, we should timely pay close attention to the changes in the income gap between urban and rural residents, and further enhance the precision and coordination of tax reduction and fee reduction policies.

Tax and fee cuts are a major measure for China to deepen supply-side structural reform, which is of great significance to promoting high-quality development of the Chinese economy. In combination with the characteristics of Chinas fiscal and tax system reform, we will build a dynamic random general equilibrium model to measure the effectiveness of tax reduction and fee reduction policies in the high-quality development stage. The study found that tax and fee cuts can not only play a good role in the aggregate demand stimulus in the short term, but also promote high-quality economic development by optimizing the supply and allocation of factors. In addition, the implementation effectiveness and transmission mechanism of different tax reduction and fee reduction policies have obvious differences. The short-term stimulus effect of consumption tax reduction policy is strong, but the policy effect is not sustainable; the policy of VAT reduction and social security fee reduction is stronger and lasting, which helps to stabilize expectations and boost market confidence; the income tax reduction policy helps to stabilize growth and promote employment, but crowding out private expenditure. Therefore, we should continue to deepen the reform of the fiscal and tax systems, and gradually optimize the current tax system structure in China. At the same time, according to the characteristics of policy objectives and policy tools, through the combined tax policy, to form a policy force to promote high-quality development.

As an important strategic deployment to promote economic transformation and upgrading, fiscal and tax policies can realize the redistribution of production factors such as labor, capital, technology and data among different industries, which has a significant impact on the upgrading of industrial structure. Based on the selected panel data of 30 Chinese provinces (autonomous regions and municipalities directly under the Central government) from 2004 to 2019, this paper uses a two-way fixed-effect model to test the impact of tax reduction and fee reduction on the upgrading of industrial structure and the mechanism role of green technology innovation in it. The research results show that tax reduction and fee reduction have a promoting role in the rationalization and upgrading of industrial structure, and the conclusion is still established after endogenous treatment and robustness verification. Green technology innovation plays a significant regulatory role in the process of tax reduction and fee reduction to promote the upgrading of industrial structure. This paper holds that the optimization of the macro tax system structure should be promoted, the tax system "tax reduction" and "simple tax" should be considered, and the precision of the preferential tax policies of the industrial chain should be improved, so as to guide the high-quality economic development.

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3. LITERATURE REFERENCES

The Government Work Report of 2021-2023 all pointed out that phased tax and fee reduction measures are combined with institutional policy arrangements. Therefore, properly handling the relationship between short-term tax and fee reduction policies and long-term tax reform is conducive to ensuring the long-term and sustainable nature of economic development. From the perspective of long-term economic growth, the effect mechanism of tax reduction and fee reduction policy is discussed. With the help of GMM analysis of provincial panel data, it is found that the short-term effect of tax policy is more significant and prominent. If the proportion of tax revenue of a province in GDP decreases by 1%, the actual GDP of the region will increase by 1.34%~1.51% in the current period. In terms of the long-term growth effect of tax policy, tax policy shows the "reverse effect" on the economic growth in the years of policy lag. Accordingly, it is believed that the tax reduction and fee reduction policies from the perspective of long-term economic growth mainly include: clarifying government fees and non-tax revenue, fully implementing the principle of legal taxation, strengthening the transparency and openness of tax collection and administration; adhere to the unification of tax reduction and fee reduction policies and the optimization of tax structure, guarantee the long-term and sustainability of the tax policy system; deepen the reform of budget management, weaken the tax planning and tax task, reduce the deviation of budget revenue and expenditure, strengthen the supervision and accountability mechanism of budget management, and ensure the efficiency of fiscal revenue and expenditure funds.

In order to promote high-quality economic development, China has implemented a series of tax and fee reduction policies in recent years. Whether enterprises can transform the policy dividend into the driving force of high-quality development is of great significance for China to accelerate the construction of a new development pattern and realize the Chinese-style modernization. This paper uses the data of Chinese industrial enterprises to empirically investigate the effect of tax reduction and fee reduction policy on the high-quality development of enterprises. It is found that the tax reduction and fee reduction policy can significantly promote the high-quality development of enterprises; the mechanism test proves that the tax reduction and fee reduction policy is conducive to helping enterprises with financing and increasing the internal funds needed for the high-quality development of enterprises. Further analysis shows that the incentive effect of the tax reduction and fee reduction policy on the high-quality development of enterprises is more significant in the sample of private enterprises and enterprises in areas with a low level of financial development, and this incentive effect will gradually converge over time. The results of this paper can provide inspiration for the further optimization of tax reduction and fee reduction policies and the active tax burden reduction of enterprises.

With long-term loans as the key path variable, this study discusses the tax cuts JiangFei innovation effect, clarify the "tax cuts JiangFei-long-term loans-enterprise innovation" mechanism: tax cuts JiangFei through leverage long-term loans, namely increase the scale and proportion of long-term loans, optimize the structure of loans, more effectively alleviate financing constraints, promote enterprise innovation. Further, the dynamic analysis shows that the role of long-term loans in promoting enterprise innovation is increasing, but the positive leverage effect of tax and fee cuts on long-term loans is on a decreasing trend. Even considering the impact of the epidemic, this dynamic trend still exists. Research has shown that under the new situation, it is necessary to optimize the direction and focus of tax and fee reduction, changing from phased and universal to long-term and precise. It is a good option to focus on promoting enterprise innovation and accurately link tax and fee reduction policies with long-term loans. This paper expands the research on the innovative effect and internal mechanism of tax reduction and fee reduction, and provides a basis for the government to introduce "targeted" policies.

In recent years, China has implemented a tax policy led by high-quality development. In order to accurately measure the effectiveness of the current policies and provide guidance for the policy formulation during the 14th Five-Year Plan period and the 2035 vision development stage, the paper constructs a new Keynes dynamic random general equilibrium model including Chinas tax structure and population structure, to investigate the transmission mechanism and economic effect of the current tax and fee reduction policies. It is found that in the implementation of tax reduction and fee reduction policy in China, the commodity tax reduction policy has the best effect, followed by the labor income tax reduction policy, and the investment tax reduction policy. In the medium and long term, with the deepening of the aging degree of the population, the positive effect of most tax policy regulation is weakened. According to the above conclusion, the paper puts forward the countermeasures and suggestions of current tax reduction and fee reduction from the perspectives of economic countercyclical tax reduction tools, tax structure adjustment of supply-side reform and supporting the strategy of actively coping with population aging..

Analyzing and discussing the influence factors of the sense of gain of tax reduction and fee reduction for small and micro enterprises is the prerequisite for the comprehensive evaluation of the effects of tax reduction and fee reduction policies and the further optimization of tax reduction and fee reduction policies and measures. This paper builds the structural equation model with the reference of Maslows demand hierarchy theory research framework, verifies the survey data of C city as the sample, and discusses the main influence factors of the sense of tax reduction and fee reduction and its influence mechanism of small and micro enterprises. Research shows that the needs of small and micro enterprises can be divided into three levels of survival, development and confidence, all of which have a significant positive relationship with the sense of gain of tax reduction and fee reduction. Among them, the satisfaction degree of survival demand and confidence demand are the key factors affecting the sense of gain of tax reduction and fee reduction.

Private economy is the biggest basis of taxation and the biggest subject of tax contribution. At present, with the continuous decline of the macro tax burden, the development dilemma of the private economy has not improved, and the development of taxes and fees and the private economy presents the mystery of "double rise and double fall". To this, this paper combines the realistic characteristics of tax cuts JiangFei and policy practice, from the competition mechanism, signal mechanism, coordination mechanism of three dimensions, for tax cuts JiangFei boost private economy development effect provides a possible explanation, clearly put forward the basic idea of optimizing adjustment tax cuts JiangFei structure is to burden for large private enterprises. Further, this paper takes the "four aspects" to provide targeted implementation path and policy suggestions for improving the quality of private economic development through tax reduction and fee reduction.

Tax and fee cuts are an important measure for China to promote steady economic development and achieve high-quality development. Taking the data of Shanghai and Shenzhen A-share listed companies from 2010 to 2020 as samples, the author empirically tested the impact of enterprise tax burden on enterprise investment behavior and its function mechanism. It is found that the reduction of tax burden helps to stimulate the increase of enterprise investment, and conducts it through the triple mechanism of endogenous financing capacity, external financing constraints and investors attention, among which the improvement of endogenous financing capacity has become the main role channel of tax reduction and fee reduction to promote investment. Based on the heterogeneity at the macro level, industry level and enterprise level, it is found that the negative correlation between the two is more significant in the regions with worse business environment, high-tech enterprises and non-state-owned enterprises. This paper clarifies the impact of tax burden on the micro-investment behavior of enterprises, and provides empirical evidence for further improving the tax reduction and fee reduction policies.

In recent years, the intensity of Chinas tax and fee reduction policies has been gradually strengthened, and the effect of the policies has gradually emerged, but it has also led to the increasing size of the governments debt scale and sensitivity of debt. Will this "erode" the effectiveness of the tax and fee reduction policies? Through a TANK-DSGE model with social security departments, the paper examines the impact of the increase of government debt scale and debt sensitivity on the effectiveness of tax reduction policy and its action mechanism under the general equilibrium framework. The research results of this paper show that the change of government debt scale does not "erode" the effect on the effectiveness of tax and fee reduction policies, and even in the case of high debt scale, the effectiveness of tax and fee reduction policies is enhanced. The increasing sensitivity of government debt is the "culprit" of "erode" the effectiveness of tax and fee reduction policy. Its main function mechanism is Ricardo equivalence mechanism and crowding out effect mechanism, and it has the greatest impact on the effectiveness of commodity tax reduction policy. Because of this, the article suggests that policy makers need to tax cuts JiangFei keep sufficient concentration and patience, and to a certain extent, improve the scale of the government debt of short-term rise tolerance, prevent local governments in the implementation of tax cuts JiangFei appear "after", "dark", "and", and the reasonable use of other fiscal policy tools and monetary policy tools should beWe will "erode" the effectiveness of the tax and fee reduction policies, and further increase financial support from the central government to local governments to ensure that the tax and fee reduction policies are fully implemented

4. SUMMARY

The paper investigates the impact of government debt on the effectiveness of China's tax and fee reduction policies using a TANK-DSGE model that includes social security departments. It finds that the increase in the scale of government debt does not undermine the effectiveness of these policies; in fact, tax cuts can be more effective even with a high debt scale. However, the growing sensitivity of government debt can diminish the impact of tax and fee reduction policies. The primary mechanisms at play are the Ricardo equivalence mechanism and the crowding-out effect, with the greatest influence on commodity tax reductions. The paper advises policymakers to maintain focus and patience when implementing tax cuts, tolerate a short-term rise in government debt, and prevent local governments from adopting short-sighted measures. It also recommends the use of other fiscal and monetary policy tools to prevent the erosion of tax reduction effectiveness and suggests increasing central financial support for local governments to ensure the full implementation of tax and fee reduction policies.

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