US-China Law Review, March 2023, Vol. 20, No. 3, 101-112
doi:10.17265/1548-6605/2023.03.002

Research on Tax Law in Chinese FTZs From the Perspective of Facilitation

CUI Kaiwei
University of International Business and Economics, Beijing, China

As an important “indicator” to evaluate the opening capacity, tax facilitation could reflect the attractiveness of China to foreign investors for investment and trade activities, and could explain the operation quality of the tax legal system in free trade zones (FTZs). In recent years, although China’s FTZs have made obvious achievements in tax policy exploration and tax collection and administration reform, the consideration of improving the facilitation level of FTZs is still immature, and there are problems such as weak coordination of central and local tax authority, weak awareness of tax security, and “homogenization” of tax collection and administration innovation. By sorting out the existing tax facilitation measures in investment, trade, and other fields in China’s FTZs, it can be found that the improvement of tax convenience mainly depends on the “reform of the tax legal system”, “replicable experience”, and “coordination of central and local reform authority”. In the process of continuously promoting the development of the legal system for tax facilitation in FTZs, the above approaches will be effective in the long run.

Keywords: trade tax facilitation, pilot free trade zone, tax legal system innovation, tax cooperation

Introduction

In the process of promoting tax reform, unilateral free trade zones (hereinafter referred to as FTZs), areas, or ports, by virtue of their geographical and policy advantages outside the customs, have positive significance for enhancing a country’s foreign trade openness. Especially in the context of slow growth of world trade, the improvement of tax facilitation is often directly linked to the basic conditions of a country’s business environment. In fact, “tax facilitation” not only requires the tax system to provide operational efficiency guarantee for the tax collection process, but also requires the corresponding tax policies to actually “benefits” to the participants of trade and investment activities in the FTZs. For a long time, due to the influence of “legal instrumentalism”, the tax law system has always been characterized by “pan-policy”. The concept of tax legal system construction in China FTZs is changing. System innovation is not just pursuing direct tax incentives, but taking tax facilitation level as a key task. Under the background of tax legal system reform in China FTZs, this paper first analyzes the attribute advantages and basic theories of tax facilitation in FTZs, and the brief plan of tax reform in China FTZs by means of comparative research. Secondly, the development status and innovation obstacles of tax facilitation

CUI Kaiwei, Doctoral candidate, Law School, University of International Business and Economics, Beijing, China.

system in China FTZs are clarified. Finally, the conclusion is drawn that to promote the innovation of tax legal system in FTZs, we should take the grasp of national tax security as the premise, focus on promoting the concise and complete tax legal system, promote the coordination and unification of tax policies, and strengthen the guidance and application of international tax rules.

Theoretical Analysis of Tax Facilitation in FTZs

The FTZs or free trade ports (hereinafter referred to as FTPs) have the nature of unilateral opening. Under the guidance of the strategy of *Early and Pilot Implementation Policy*, how to build a more convenient legal system in the zone should be combined with the basic theory of tax law to give theoretical analysis on the frontier issues of current tax system innovation.

Preliminary Study on Self-Consistency of Tax Convenience in Pilot FTZs

Facilitation and tax facilitation. The entry into force and active implementation of *The WTO Agreement on Trade Facilitation(ATF)* has played a good role in promoting the development of China's trade facilitation. Among them, no matter the "transparency clause" or the "release and clearance of goods clause", there are special provisions on tax issues from the perspective of trade facilitation. As a practitioner and promoter of investment facilitation, China initiated the "Friends of Investment Facilitation for Development (FIFD)" at the WTO in 2017 and was the first to raise the issue of investment facilitation. Although the requirements for facilitation in different areas such as trade, investment, and taxation are different, there are some common points. Articles 1 to 12 of *The WTO ATF* set out the substantive obligations of the implementing countries in terms of trade facilitation, as well as tax issues. From the perspective of relevant tax-related contents, it clarifies "the publication of tariff and domestic tax information", "the separation of the determination of tariff and domestic tax from the release of goods", "the delay of payment of tariff and domestic tax", and other contents, and prohibits "pre-transit inspection related to tariff classification" and "procedures and documentary requirements for the differentiation of the provision of full or partial exemption of import tariff and domestic tax". *The WTO ATF* aims to improve the transparency and efficiency of the flow of goods by reducing differentiated tax barriers.

International economic facilitation includes trade facilitation, investment facilitation, financial facilitation, tax facilitation, dispute settlement facilitation, etc., which not only has the specialization of activities to achieve their respective goals, but also influences each other. For example, in the field of international economic law, the emphases of "trade facilitation" and "tax facilitation" are different. The former reduces tax arrangement and promotes tax fairness, so that the convenience level of foreign trade is similar to that of domestic trade, while the latter requires the state to provide convenience for taxpayers and help specific business entities reduce transaction costs by improving tax rates and simplifying tax systems. Based on *The WTO ATF*, the Organization for Economic Co-operation and Development (OECD) has developed a *Trade Facilitation Indicator (TFI)*, and TFI can be used to measure the level of countries' trade facilitation and objectively reflect the true degree of countries' trade facilitation. From the above evaluation system of facilitation, one of the important criteria for evaluating "trade convenience" is tax convenience, and the *Trade Facilitation Agreement* undoubtedly puts forward higher requirements for China's tax facilitation level. To actively explore the rule of law, including tax incentives and other facilitation measures, is not only to fulfill the obligations of WTO members, but also an inevitable choice to actively open up the economy.

The relationship between tax system reform and facilitation. A good tax system should meet the operation needs of the country and society and the requirements of taxpayers' self-protection, and have the function of restricting the tax collection and administration activities and improving the tax service ability. Since the establishment of the *China (Shanghai) Pilot Free Trade Zone* in 2013, many legal normative documents have regarded the establishment of a favorable tax system environment in FTZs as an important part of the corresponding construction work. The criterion of evaluating the tax legal system in FTZs can be grasped from the soundness and implementation quality of specialized tax legislation.

Facilitation is an important evaluation measure to measure the success of tax reform, as well as an important means and method to achieve the goal and direction of tax reform. It includes two elements: "convenience" and "profit concession". In the case of limited normative and non-normative documents on tax facilitation, to promote the reform of the tax system, it is necessary to draw on the experience of promoting "trade facilitation" and "investment facilitation", and strengthen the capacity optimization of tax legislation, taxation, tax payment, and other links. The essence of trade facilitation is the simplification and coordination of international trade systems and procedures, the acceleration of cross-border circulation of elements, and the promotion of tax facilitation in FTZs. It also requires the simplification and coordination of corresponding systems and procedures. As a rare platform to promote tax facilitation reform, FTZs could give full play to the value of "trial and error".

Analysis on Tax Reform Plan of FTZs

To achieve the "facilitation" of the tax system in the FTZs, it is necessary to clarify the scheme that should be followed in carrying out corresponding measures. By building FTZs, exploring free ports, deepening reform of the foreign trade management system, and vigorously promoting trade facilitation, China is working to create a law-based international trade facilitation environment. To encourage foreign investment, developing countries often resort to tax holidays and other fiscal measures to achieve their goals. At present, China is shifting from attaching importance to the formulation of preferential measures such as tax breaks to the construction of a good overall tax environment, and completing the upgrading of the tax legal system in the FTZs. Therefore, attention should be paid to the selection of the optimal scheme to achieve the goal.

Improvement plan for tax legal system. In terms of special legislation for FTZs, China has not yet adopted laws and regulations at the NPC level. In the future, the establishment of a comprehensive law covering tax laws in FTZs is an important exploration direction in the construction of the legal system of FTZs. To some extent, the empowerment significance of the corresponding laws may be greater than the guiding significance.[1] A sound tax legal system for FTZs is still based on the existing domestic tax law and foreign tax law. The improvement path of the tax legal system is based on the legislation or revision of the "Indenture Tax Law", the "Tax Collection Management Law", and the "Customs Law". Through the improvement of the contents of the separate tax laws and tax procedure laws, the corresponding legal norms can be fully adjusted in the special tax environment of the FTZs. The legal norms should be stable, which means that the reform of the tax legal system should take into account the reform requirements of the whole country. Under the condition that the system innovation of FTZs

[1] On June 10, 2021, the Standing Committee of the 13th National People's Congress passed *The Hainan Free Trade Port Law of the People's Republic of China*, rather than choosing to combine the legislation on the construction of free trade zone and free trade port.

is efficient and the reform exploration is regular, too conservative legislation cannot well meet the needs of the tax law innovation. The improvement plan of the tax legal system is destined to be gradual. From the perspective of the reform of the tax legal system in the FTZs, although the plan is authoritative, the effect is slow, and it needs to be combined with "specific tax system exploration" activities to give full play to the maximum advantages.

Solutions that draw on replicability experiences. Whether the number of FTZs is increased or the size of the FTZs is expanded, the reference of replicable experience has become an important scheme for the respective FTZs to promote the reform of the tax legal system. The "replicable" method can maximize the efficiency of tax legal system construction in the pilot free trade zone, reduce the cost of system demonstration, and realize the "convenience" of legal system reform. The typical replicable experience is the promotion of "single window" and "negative list", etc. By further exploiting the tax convenience function of the above system, the "user experience" of tax collection and tax payer in the zone can be quickly and directly improved. Replicable experience can come from domestic FTZs, foreign free trade zones, or comprehensive free trade zones between countries. By absorbing tax facilitation nutrients from different regions, a tax legal system with characteristics of FTZs can be formed quickly.

Coordination plan through central and local authority reform. FTZs are comprehensive open areas with "national prefix", but at the same time they have strong local colors: On the one hand, according to the differences in local development conditions, different FTZs have different development positioning; on the other hand, the opening hours of different FTZs vary according to the degree of openness of the provinces (autonomous regions, municipalities directly under the Central Government) in which the zones are located. Under the overall national tax law system, the provinces where the pilot trade zones are located often have certain local tax power. In fact, the respective pilot trade zones have limited tax legal preferential policies that match their respective positioning, and the adaptability of promotion is not high. For example, The People's Government of Guangdong Province gives subsidies to Hong Kong and Macao residents working in Hengqin New Area according to the difference of individual income tax burden between the mainland and Hong Kong and Macao respectively, and exempts individual income tax, etc., which reflects the initiative of local tax power, but the promotion and reference of corresponding tax legal preferential policies is weak.

Analysis of Tax Facilitation Legal Status and Dilemma in FTZs

Tax facilitation has a good interaction with facilitation in investment, trade, and finance. Not only the World Bank's *Doing Business Report*,[2] the World Economic Forum's assessment framework on trade facilitation, the OECD's trade facilitation indicators, but also the establishment of the evaluation system for tax facilitation in China's FTZs, promoting tax facilitation has become an important part of achieving investment facilitation, financial facilitation, and trade facilitation.

Current Situation of Tax Facilitation Law in FTZs

Tax facilitation in investment legal system. The tax convenience in investment legal system is the taxable convenience of investment access and management. On the one hand, foreign investors should not be prevented

[2] Based on the evaluation index system of business environment for enterprises, the World Bank has established the index of tax payment convenience, and scored it from several aspects, including the frequency of tax payment, time of tax payment, total tax rate, social payment rate, and post-tax declaration process.

from entering the country by abnormal tax measures, such as setting unreasonable tariff barriers. On the other hand, tariff systems and structures need to be harmonized in accordance with agreements and rules. With the gradual deepening of regional economic integration and the further strengthening of trade and investment cooperation between bilateral and multilateral countries, the influence of traditional tariff barriers on international trade is gradually decreasing, and the "trade inefficiency" as a kind of "invisible" barrier is increasingly concerned by all countries. The existence of "invisible" barriers to inefficient investment shows that promoting investment is the "new normal" of the current development of all countries.

The second chapter of *The Foreign Investment Law of the People's Republic of China* systematically defines "investment promotion" and takes "facilitation" as an important goal and principle in formulating policies and measures and improving the service level of foreign investment in government departments.[3] At present, *Chinese Catalogue of Encouraging Foreign Investment* has been revised for many rounds, and the corresponding industries in the catalogue can enjoy a number of preferential tax policies. The tax system innovation of Hainan Free Trade Port is highly related to the preferential tax policies.[4] The Shaanxi Pilot Free Trade Zone, Chongqing Pilot Free Trade Zone, and other FTZs in western China have also received relevant corporate income tax reduction policies. Under the development situation of the new pilot free trade zone, the tax administration will encourage the growth of a convenient tax mechanism through positive investment incentives while making tax reduction for taxpayers within the scope of the preferential income tax list.

Tax facilitation in legal system for trade in goods. The tax convenience in the legal system of trade in goods is mainly manifested in the aspects of "business acceleration" and "cost control". China's trade facilitation reform mainly focuses on customs clearance facilitation, which can effectively improve trade facilitation by reducing customs clearance time and simplifying customs clearance procedures. Shanghai Pilot Free Trade Zone Yangshan Bonded Area was the first to carry out the "single window" pilot work, and successfully replicated the "single window" experience to the whole country through practice and exploration. The essence of a single window is to centrally handle a variety of businesses. At present, the single window of China International Trade in operation has functions such as export tax rebate. After data collection, data review, and other links, online tax rebate declaration can be completed.[5] From the perspective of system construction, although the applicability of "single window" is increasing, there is still a lot of work to be done to realize tax convenience. Article 6 of the *WTO ATF* puts forward clear requirements on fees and charges imposed on or in connection with importation and exportation, etc. In the process of trade in goods, it is also very important to control taxes to a certain extent, and China pilot free trade zone is exploring and upgrading tax facilitation in the field of trade through various systems.

Tax facilitation in legal system for trade in services. Compared with trade in goods, tax issues related to trade in services are more complex. In the future, the focus of the FTZs will be to further improve tax-related services and accelerate the promotion of various service enterprises investment and service trade facilitation

[3] Articles 18 and 19 of *The Foreign Investment Law of the People's Republic of China*.

[4] For example, *Notice on Preferential Policies of Enterprise Income Tax in Hainan Free Trade Port* issued by Hainan Provincial Department of Finance and Hainan Provincial Tax Bureau of State Administration of Taxation in 2020 clearly stipulates that enterprise income tax in encouraged industries registered in Hainan Free Trade Port with substantive operations shall be levied at a reduced rate of 15%. Income from new overseas direct investment of enterprises in tourism, modern service industry, and high-tech industry established in Hainan Free Trade Port shall be exempted from enterprise income tax.

[5] See instructions on online tax refund declaration in *User Manual of Single Window Standard Edition (National Edition of Foreign Trade)* issued by China Electronic Port Data Center.

measures. Equal and effective taxation is the common value pursuit embodied in the general exception clause and national treatment clause of the GATS, which can provide facilitation support for participants in trade in services. The pilot free trade zone, as the center of a number of tax legal systems and tax subsidy policies, plays an important role in facilitating the development of trade in services. Preferential tax laws and other policies have good regulating effect. Service trade in FTZs often realizes the construction of talent team in various industries through the way of "natural person flow". *China (Fujian) Pilot Free Trade Zone Individual Income Tax Incentive Management Measures (Trial)* supports the introduction of talents by enterprises in the pilot free trade zone through the installment payment of individual income tax. Qianhai Pilot Free Trade Zone also provides a good institutional guarantee to promote the flow of talents by implementing income tax financial subsidies for overseas high-end and scarce talents.

Dilemma of the Legal System of Tax Facilitation in FTZs

The tax legal preferential policies of FTZs can reflect the attraction and competitiveness of foreign investment and trade. Taking a comprehensive look at the development status of China's FTZs, multiple batches of pilot free trade zone platforms have basically covered most areas of China, but there is still room for further optimization of the application of tax legal preferential policies in respective FTZs in terms of positioning coordination, tax law reform trend, and national development strategy coordination.

The positioning of FTZs needs to be coordinated. According to the *General Plan* for the construction of different batches of FTZs in China, The State Council of PRC has distinguished the development positioning of different FTZs. For example, the Hainan Pilot Free Trade Zone is positioned as an important gateway to the outside world facing the Pacific and Indian oceans. The Henan Pilot Free Trade Zone is positioned as a modern comprehensive transportation hub and inland open economy demonstration zone serving the "Belt and Road" construction, while the Tianjin Pilot Free Trade Zone is positioned as a high-level opening platform for the coordinated development of the Beijing-Tianjin-Hebei region and a high-level free trade park facing the world. The different positioning of FTZs requires different tax policies for the following reasons: First, the construction of different batches of FTZs is based on functional reclassification based on the combination of regional advantages; second, the tax policy of the pilot free trade zone is consistent with its own experimental attributes, and the pursuit of characteristic tax policy construction.

On May 20, 2015, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation jointly issued *The Notice on Import Tax Policies in China (Tianjin) Pilot Free Trade Zone*. Although the document clearly stated that the selective tariff policy should be piloted in the special customs supervision zone within the pilot free trade zone, and the applicability of the system should be tested through regional trials, the attention to regional industrial development is not obvious. The tax policies of different FTZs are closely related to their development positioning. In the case of differences in the development of manufacturing and financial industry in the respective pilot trade zones, the tax policies of the respective pilot trade zones should be coordinated with the regional development needs.

The consistency with the trend of tax law reform needs to be strengthened. The tax legal preferential policy of the FTZs is carried out under the background of deepening the VAT reform, which is an important form of turnover tax to minimize the possibility of double taxation. At present, the policy conditions of replacing business tax with value-added tax in the whole industry are ripe for trial in Shanghai Pilot Free Trade Zone. In the process of tax collection, The State Council of PRC mainly releases the tax policy dividend to the pilot free trade zone by authorizing the departments of finance, taxation, or customs to formulate the tax policy. Represented by the selective tariff policy for domestic sales, the tax rebate policy at the port of departure, and the tax rebate for overseas passengers, the corresponding tax policy can indeed reduce the corresponding tax burden of enterprises in the pilot free trade zones or ports and facilitate the tax payment of taxpayers.

In terms of Value-Added Tax (VAT) reform, the China FTZs have been at the forefront of the country's tax system reform by adhering to the "Early and Pilot Implementation Policy". The Jinan Area of Shandong Pilot Free Trade Zone has implemented the policy of VAT exemption within a specific quota of specific industries, and the Hainan Pilot Free Trade Zone is exploring a comprehensive VAT reduction or exemption under the background of the reform of the national and local tax collection and management system. The consistency of the tax policy in the FTZs with the reform trend of the tax law requires that the introduction of corresponding policies should pay attention to the actual needs of enterprises in the pilot free trade zone to reduce taxes and fees, streamline the tax collection and administration mechanism, and reduce the unnecessary collection of small taxes. At present, this work needs to be further strengthened. In addition, although the construction of FTZs can indeed attract a considerable number of foreign enterprises to settle in at the initial stage, the lack of necessary tax policy planning may directly affect the national tax revenue, such as various studies by the United States International Trade Commission (ITC) and the General Accounting Office (GAO) indicate that zones, particularly subzones, appear to be working against America's economic interest.

The coordination with national development policies needs to be cleared. Each batch of China's FTZs not only enjoys the dividend brought by the current tax reform, but also can achieve a greater degree of preferential tax policies with the support of national policies. For example, the FTZs in Guangdong and Fujian focus on the actual conditions of Macao, Hong Kong; and Taiwan, and actively carry out tax legal preferential treatment for the three places; the local preferential policies of free trade zones in Tianjin, Liaoning, Zhejiang, Henan, and Hubei are mainly to support the development of characteristic industries, and provide policy subsidies and awards to enterprises that meet the requirements in free trade zones. The tax policies of the respective FTZs may overlap with those under the national development strategy in terms of implementation scope, which requires us to focus on the particularity of tax advantages of the FTZs. For example, under the influence of the policy of imposing corporate income tax at a rate of 15% on qualified enterprises in western China, similar policies of the FTZs will lose certain tax advantages.

Legal Measures to Promote Tax Facilitation in China's FTZs

The tax system must meet the requirements of Pareto effect, not increase the additional burden on the social economy, not distort the effective allocation of resources, but improve economic efficiency and social welfare as much as possible. In order to achieve tax facilitation in China's FTZs, we should follow various tax legal principles, and optimize the system in various fields by means of system improvement and experience replication.

Promote Transparency and Evaluation System Construction With Standardized Tools

Broaden the application list system. The free trade zone legislation must be clearer, more specific, and more transparent. In the process of tax collection and management system reform, taxpayers' right to know should be guaranteed first, so that taxpayers can update the judgment standard of business behavior in time according to the reform information. According to the process of tax collection and expenditure, taxpayers' right to know generally includes four aspects: the right to know about tax policy formulation, the right to know about the content of tax policy, the right to know about tax administration, and the right to know about the direction and efficiency of tax expenditure. At present, China has carried out many tax innovation practices in the facilitation of construction, and many innovative measures on tax collection and administration, such as "maximum one run list", "public tax economic data", "first violation list", "electronic tax collection", and "single window". The "list system" can be divided into "positive list" and "negative list". Among them, the negative list in the sense of domestic law is reflected in the foreign investment legislation or government regulations of a country that prohibits or restricts the investment of foreign investors in the industry and related measures. Making good use of the list system is an important means to build a transparent management platform for FTZs. In the process of further expanding the effectiveness of the list, it is suggested to centrally display tax policy and tax facilitation reform measures, and regularly update and publish the tax facilitation reform list, so that tax facilitation policies and measures can serve the taxpayers in the pilot free trade zone timely and extensively.

Make good use of tax facilitation indicators. Sound tax collection and administration activities should have a good evaluation system. From the perspective of trade facilitation, it is necessary to not only evaluate the system operation in tax collection and administration activities, but also improve the personnel allocation and professional quality. At present, Hengqin Area of Guangdong Pilot Free Trade Zone in Zhuhai has released the Tax Payment Facilitation Index and started to promote the regular release of the Tax Payment Facilitation Index. In addition, Shekou Area has also released *The White Paper on Tax Business Environment of Qianhai Shekou Free Trade Area in Guangdong-Hong Kong-Macao Greater Bay Area*. Through the timely and effective index system to carry out positive self-evaluation activities, not only can maintain the development advantage, but also can make up for the deficiencies of the system. In the process of further improving the convenience of tax collection and administration, it is necessary to upgrade the existing evaluation system and incorporate the index system into a unified legislative norm. In the process of specific legislation, the following factors should be taken into consideration: First, on the basis of promoting the "index experience" to the national FTZs, we can cooperate with a third-party professional evaluation agency to conduct a more comprehensive evaluation of the existing domestic FTZs, or carry out the mutual evaluation of the FTZs by means of cross-evaluation; second, tax authority or agency subsidiary could expand the tax facilitation evaluation system from the tax payment link to the comprehensive evaluation of local tax legal environment, local tax policy environment, local tax dispute settlement environment, etc., and establish a set of evaluation system applicable to the national FTZs for tax facilitation; third, the concept of facilitation should also be followed in the evaluation process of tax work and tax service personnel, so as to reduce the burden of multiple performance evaluation, release the office hours of tax service staff, streamline the evaluation system, and complete the evaluation by means of administrative business electronic records and self-service business evaluation.

Promote the Improvement of the Legal System of Preferential Tax Treatment in FTZs

Improve the tax legal system coordinated between the central and local governments. The pilot free trade zones, as new plateaus of the country's opening up, shoulder a new mission of institutional exploration.

Under the influence of the Tax Statutory Theory and Control Theory, the preferential policies of tax law in FTZs are subject to the double regulation of central financial arrangement and local tax arrangement. The reform of FTZs first involves the distribution of central and local powers. Under the condition that The State Council of PRC further strengthens the management of local tax administration system, giving local governments sufficient autonomy in tax reform is an important guarantee for tax facilitation and innovation. At present, the existing tax policy innovation in China's FTZs is limited, and a more systematic tax policy system needs to be formed.

To promote the reform of administrative power of "coordination between central and local authorities" in the tax field, it is necessary to carry out systematic work with the thinking of "environmental integration of the rule of law system in administrative affairs". The premise of tax facilitation reform is that the tax authority has complete tax law adjustment power. In the case of central and local cooperation in the construction of FTZs, it is more necessary to clarify the work of decentralization. On the one hand, it is necessary to standardize the ways and methods of decentralization on the basis of sorting out the basis of empowerment. On the other hand, it is necessary to promote the improvement of the business environment of the FTZs on the basis of comparing the experience of different FTZs. In terms of specific legal measures, it may be considered that specific administrative departments (such as the Free Trade Zone Port Construction Coordination Department of the Ministry of Commerce of China) should take the lead to complete the work of promoting legislation and coordinating existing norms.

Introduce preferential policies in line with local characteristics. When tax policy forms differential treatment for different subjects, it should have "rational reasons derived from the nature of things or other clear reasons"; otherwise it constitutes a violation of the principle of tax equality. Although preferential policies will form a "tax depression" in form, as long as they meet the requirements of substantive equality, it is necessary to continue to implement. As mentioned above, the reason for the rapid development of Singapore FTZs and Dubai FTZs are not only that they have very favorable tax policies, but also that they have clear regional industrial tax legal positioning. The characteristics of the US free trade area serving both domestic and foreign markets also show that the free trade area is of great benefit to promote regional industrial development. The reform of tax facilitation services is not only reflected in the optimization of procedures, but also in the links of tax reduction, exemption, tax refund, and tax payment. At present, the respective FTZs are exploring preferential policies in line with regional characteristics according to their own practices, and further optimizing the procedures and methods for implementing the central tax policies. Judging from the design of China's "Master Plan for FTZs", different batches of FTZs have different landing points in optimizing trade structure and industrial structure. Accordingly, it is necessary to upgrade differentiated tax facilitation services in line with national financial laws and regulations.

In line with the planning of the tax policy will not only have a positive stimulus effect for local industries, but also to create a convenient tax environment is crucial. In the introduction of tax policies in line with the industrial development of FTZs, it is suggested that: First, through centralized decentralization, the respective FTZs can clarify other substantive legislative powers except for the optimization of tax collection and administration procedures; second, on the basis of fully soliciting the development needs of local governments, the State Administration of Taxation should issue tax regulations and policy documents for individual FTZs, so as to realize the full interaction between central tax control and local tax autonomy; third, according to the industrial construction situation, the respective FTZs will issue a list of tax policies applicable to various fields, explore zero-tariff for some commodities, coordinate the efforts of local fiscal subsidies and tax legal preferential policies, and establish tax detection indicators for taxpayers to avoid excessive “policy depression”.

Promote the Renewal of International Tax Agreements and Administrative Cooperation

Update some international tax agreements. International tax agreement refers to a written agreement concluded by two or more sovereigns and states through negotiation in accordance with the principle of reciprocity in order to coordinate the tax distribution relationship between them and strengthen the cooperation in tax administration. With the growing circle of friends of the Belt and Road Initiative, the FTZs have ushered in new development opportunities. For example, in September 2017, The Ministry of Trade, Industry and Energy of South Korea proposed to promote the construction of an inter-city free trade zone between Incheon Free Economic Zone and China’s Pilot Free Trade Zone, and suggested to take the approval of the China (Shandong) Pilot Free Trade Zone as an opportunity to increase investment and trade liberalization reform and innovation between South Korea and South Korea at the bilateral level, so as to build a transnational industrial chain, and to develop differentiated competitive advantages with the “unilateral opening” of FTZs in Shanghai and other places, and create new drivers of export-oriented economic development. The complete legal adjustment of international tax relations can be realized only through the cooperation, complementarity, and joint action of tax treaties and relevant domestic tax laws of the contracting parties. The value of exploring existing free trade agreements lies in that they can obtain preferential tax benefits for Chinese enterprises operating through the free trade platform. Therefore, on the one hand, we should improve the supporting measures for the application of free trade agreements in the zone, and actively push guidelines for the application of agreements in the pilot free trade zone to improve the convenience of taxpayers. On the other hand, it should refer to OECD model and UN model to carry out necessary interpretation of tax treaties and improve their domestic applicability.

Strengthen international tax administrative cooperation. International tax administrative cooperation has a wide and positive impact on promoting tax facilitation. Only through cooperation can national governments resolve tax conflicts, coordinate tax benefits, and avoid domestic profit transfer and tax base erosion. China has always been a major country promoting globalization and exploring further opening-up and development of the world on the basis of the concept of independent sovereignty. As a signatory to *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters*, China has signed the Agreement on Double Taxation and Prevention of Tax Evasion and the Agreement on Tax Information Exchange, and formulated *The Administrative Regulations on Exchange of Tax Information (Trial)*. Under the management mode of “outside the domestic customs”, the FTZs face more concentrated pressure such as anti-tax avoidance, tax information exchange, document service, and tax recovery assistance, which undoubtedly brings greater pressure to promote the reform of tax facilitation within the zone.

In the context of the opening-up of the Belt and Road Initiative, China’s outbound investment continues to expand, and carrying out multilateral mutual assistance in tax collection and administration with a more open attitude is in line with the protection of national interests. On the one hand, based on the realization of electronic service of tax documents in China, electronic service of tax documents between some countries should be promoted, and cooperation should be carried out with countries that have signed free trade agreements to actively negotiate service procedures. On the other hand, relevant national departments should consider more active mutual assistance activities in tax collection and administration, and make it possible to facilitate the reform of the legal system by withdrawing reservations when necessary. In its instrument of ratification of *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters*, China has made a reservation, stating that it "shall not assist other contracting parties in collecting taxes or providing protection measures"[6]. In this case, China will also lose the right to request additional tax assistance from other countries. As China's opening to the outside world deepens, it may be more pragmatic to consider withdrawing reservations and providing limited assistance in recovery.

Conclusion

The tax environment is interactive with the business environment. In the process of promoting the improvement of the tax legal system in the FTZs, the principles of statutory tax, sound tax, and convenient tax payment should be taken as guidance to break through the traditional system obstacles, so as to construct a profitable tax environment as the target value. Through the path of "legal system improvement, experience replication and coordination between the central and local governments", China is upgrading the tax system in FTZs. As a special unilateral economic zone under China's proactive opening-up policy, the pilot free trade zone carries multiple missions of trade, investment, and financial opening-up. The reform of the tax rule of law has entered the "deep water zone". It is necessary to respect the differences in the development of different FTZs and implement personalized facilitation measures. Therefore, in today's "homogenization" of the tax facilitation innovation in FTZs, the tax authorities could first improve the anti-tax avoidance legal governance ability and actively build the legal system of credit investigation to optimize the construction of the national tax security system. Secondly, the FTZ management agencies could complete the convenient reform in the process of tax collection and administration with the help of the optimized list system and evaluation system. Thirdly, the central authorities could improve the central-local coordination of the tax system, support in line with regional characteristics of preferential policies, and improve the FTZs' tax legal preferential system. Finally, the foreign affairs department could strengthen the improvement of tax rules under international standards by updating free trade agreements and strengthening international tax administrative cooperation.

References

Chen, Z. Y. (2010). *Interpretation issues of international tax treaties* (1st ed.). Beijing: Social Science Press.

Chen, S. Y., & Lv, C. G. (2015). Research on the taxation legal system of promoting investment—Based on the study of China (Shanghai) Free Trade Zone. *Academic Journal of Jinyang, 36*(3), 117-124+136.

Cui, X. J. (2014). *The new development of international tax administration cooperation and its legal problems* (1st ed.). Beijing: China Social Sciences Press.

Cui, R. M., & Huang, Y. W. (2016). Study on the trade & investment facilitation evaluation index system of countries of "One Belt and One Road". *Journal of International Trade, 42*(9), 153-164.

Ding, W. (2013). Exploration and practice of legal protection in China (Shanghai) Pilot Free Trade Zone. *Law Science, 58*(11), 107-115.

Gao, J. (2011). *Study on the basic rights of taxpayers* (1st ed.). Beijing: China Social Sciences Press.

[6] For details, see the *Announcement of the State Administration of Taxation on the Entry Into Force and Implementation of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (Announcement of the State Administration of Taxation No. 4, 2016).

He, X. Y. (2020). Being the first to establish an institutional system of Shanghai's Free Trade Pilot Zone in line with international operation rules. *Scientific Development, 13*(3), 44-52.

He, L. (2021). International trade legal issues in the construction of China Hainan Free Trade Port. *International Business Research, 42*(2), 3-14.

Hu, Y. (2016). The academic disputes on trade facilitation and the path of Chinese reforms. *International Business, 30*(1), 119-127.

Liao, Y. X. (2001). *Science of international tax law* (1st ed.). Beijing: Peking University Press.

Schulze, C. (2004). Free trade zones and the facilitation and globalisation of trade. *South African Yearbook of International Law, 29*, 193-202.

Tao, L. F. (2018). On the improvement of the latest negative list of free trade zones. *Legal Forum, 33*(5), 145-152.

Tao, L. F. (2019). Different positions of BRICS countries in international investment arbitration and China's countermeasures. *Law Science, 64*(1), 134-147.

Tang, J. Y. (2014). *Exploration into general theory and the construction of the rules for tax on financial transactions* (1st ed.). Being: Law Publishing House.

Tianjian, O. (2019). The legal system innovation and legislative improvement of the China (Shanghai) Pilot Free Trade Zone on tax collection and administration. *Journal of WTO and China, 9*(1), 67-91.

Tiefenbrun, S. (2013). U.S. foreign trade zones, tax-free trade zones of the world, and their impact on the U.S. economy. *Journal of International Business and Law, 12*(2), 149-222.

Tiefenbrun, S. (2015). U.S. foreign trade zones and Chinese free trade zones: Comparative analysis. *Journal of International Business and Law, 14*(2), 189-232.

Tu, X. Q., & Jiang, J. Y. (2018). Deepen the trade facilitation agreement and overcome the dilemma of cross-border e-commerce rules. *Intertrade, 37*(2), 23-27.

Xing, C. (2012). *Research on the distribution of international tax benefits under the condition of economic globalization* (1st ed.). Beijing: China Fortune Press.

Zeng, W. G. (2018). Research on the construction and improvement of "the Belt and Road" trade facilitation rules system in land trade. *Law Science Magazine, 39*(11), 16-22.

Zhang, C. Y. (2019). Tax policy and suggestions for innovative development of service trade in the FTZs. *International Taxation in China, 32*(2), 11-16.

Zhejiang Free Trade Zone Research Center. (2019). Prof. Chen Liqiang lectured at the Seminar on the Construction of Hainan Free Trade Zone (Port). Retrieved from https://mp.weixin.qq.com/s/C_GQmm_OuWmDJDqkTeIzH

Zhao, G. Y., & Liu, J. (2019). Tapping the policy potential of the China-ROK free trade agreement & promoting high-quality economic development. Retrieved from https://baijiahao.baidu.com/s?id=1661465204675684476&wfr=spider&for=pc

Zou, S. (2019). Tax and legal preferential policies of different free trade zones have different priorities. Retrieved from http://www.360doc.com/content/19/0109/10/11809853_807640333.shtml