

Case Study No.2 from China

Better Communication to Better Society

A Brief Introduction of China's Tax Awareness Month

Every year in April since 1992, the State Taxation Administration (STA) will run a national taxpayer education program called the Tax Awareness Month (TAM). 2022 celebrates its 31th anniversary, making it one of the longest-running public awareness programs in China.



An Overview

1992 marked a turning point in China with its economy changing tracks from a centrally-planned one to a market one, albeit with distinct socialist characteristics. A modern tax system was taking shape along the process. STA found it paramount to educate the public about tax. Inspired by similar programs in Japan and South Korea, where there is a tax awareness week since 1954 in the former and a taxpayer day since 1966 in the latter, STA decided to start its own public education program.

Considering that China is so huge and the development varies among different regions, STA thought that the taxpayer education program needed more time each year, so the idea of the Tax Awareness Month (TAM) was born. The month was set on April, the first month in spring, a season for new beginning and hope. Sometimes TAM was prolonged if many new measures were introduced in a very short span of time, which was the case in 2020, 2021 and 2022, when relief measures to fight Covid-19 and to boost economy were rolled out in a quickened pace. In 2020 and 2021 the TAM was 50 days and 2022 60 days.

A specific theme would be set each year, taking into consideration of the

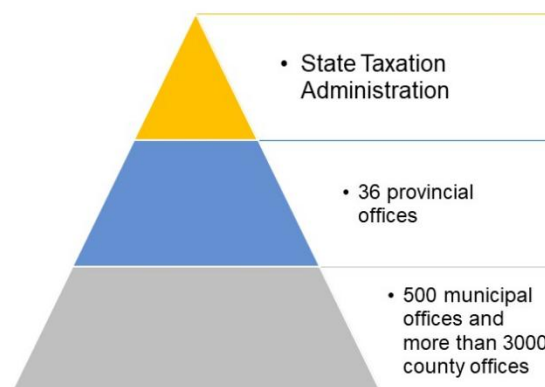
policy/administration priority and the overall economic and regulatory climate. Some of the themes were *tax and development*, *rule of law*, *VAT reform*, *tax side of the business environment*, *tax reduction*, *Covid-19 relief measures*, just to name a few. The overarching principle is to stay relevant to taxpayers. Each TAM would boil down to the following basics: What messages are we getting across to taxpayers? Why and how are these messages relevant to them? If the theme concerns administration, STA would go to great length to explain how the process works and send out the message that STA is always ready to help. The aim is to build a trusting dynamic.

How Does TAM Work

● Coordination and Integration

China has 1.6 billion people and 161 million market entities as of June 2022, which means the target audience of TAM is huge. The major facilitators of TAM are STA's offices across the country, which are structured like a pyramid, with the head office at the top, then 36 provincial offices, 500 municipal offices and more than 3,000 county offices at the bottom.

Figure 1: The Structure of STA



Source: State Taxation Administration of China

The head office of STA decides on a theme of TAM at the beginning of each calendar year. Then the local offices proceed to draft their own TAM plans, for they are closer to the target audience in the respective jurisdictions. The idea is to get the best out of strategic planning at the top and innovative execution down the chain. Key words here are coordination and integration.

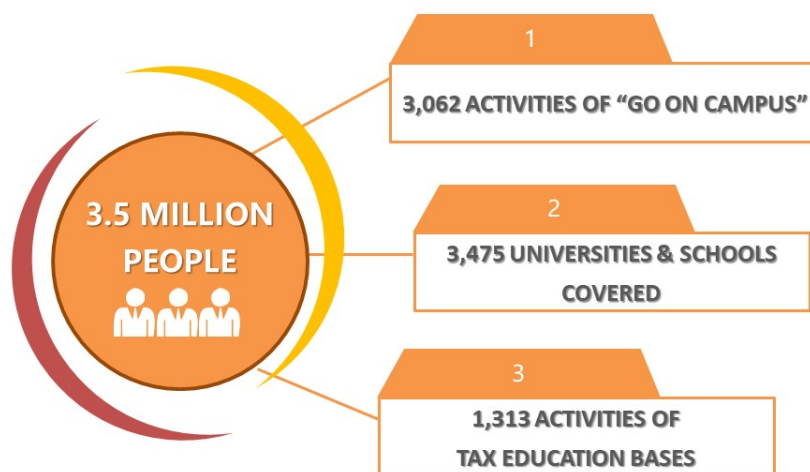
● Tailored to Different Groups

TAM messages are best received when they are tailored to different taxpayer groups. For example, there are special tax incentives for college graduates or military retirees

who start a new business. Tax offices would set up information stands or hand out pamphlets at job fairs targeting these people, offering them policy tips of those tax incentives. Workshops were also held by tax offices for companies investing abroad, offering general tips with respect to tax compliance in the target countries.

STA attaches great importance to educating future taxpayers, so it carries out various activities on campus during TAMs, including setting up tax awareness bases/boot camps, compiling simplified version of tax law textbooks for teenagers, holding "Future Tax Officer Lectures" etc. In 2022, STA offices across the country organized more than 3,000 "Tax on Campus" activities, covering 3,500 universities/schools and more than 3.5 million students.

Figure 2: "GO ON CAMPUS" Activities In 2022

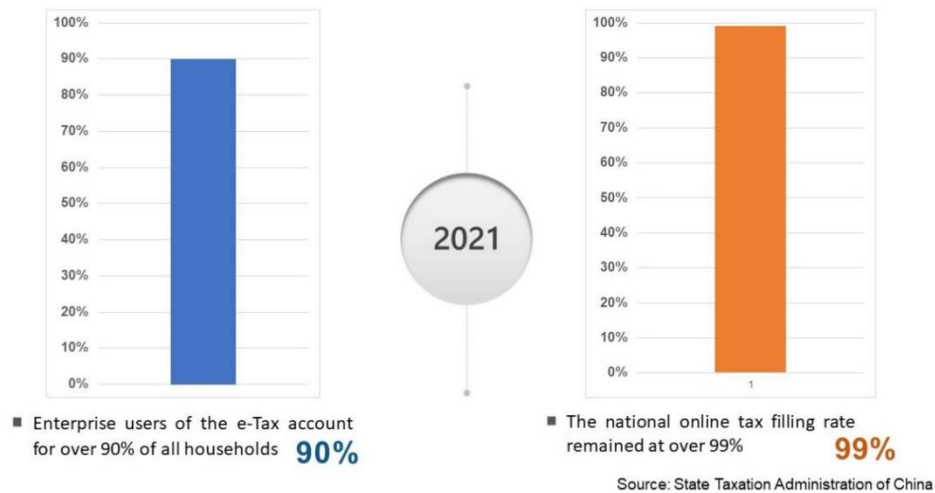


Sometimes TAM activities were risk-oriented. Recently, STA publicized some high-profile tax evading cases involving famous actors/actresses or social media influencers, sending a strong message to potential non-compliant behaviours.

● Service Oriented

One of the key messages in a TAM is what we (the tax office) can do for you (taxpayers). So intrinsically TAM is service oriented. One of the popular practices in a TAM is to invite taxpayers to Walk the Walk, that is asking them to come to the service hall to have a taste of how the administration process works. Sometimes top management of tax offices will also walk the walk with an aim to identify areas for improvement from the perspective of a taxpayer. During the Covid-19 pandemic, the practice of contact-less service got an unexpected boost and currently taxpayers can handle over 90% of their tax matters online, 99% of tax filing can be done remotely.

Figure 3: Online Tax Filing



● Whole-of-Society

STA holds the view that taxation is an important part of social governance, so it is conducive to involve as many participants in society as possible to engage in TAM, which in turn will enhance the overall tax morale in society. Over the years, many government departments, banks, social security institutions, industry associations took part in TAM activities, contributing their respective perspectives and enriching taxpayer's experience. Sometimes celebrities such as Olympic Champions were invited as Tax Ambassadors to spread TAM messages. A side benefit of this whole-of-society approach is that taxpayers come to realize that STA is not working alone but sharing information with third parties to collect taxes, thus encouraging more taxpayer compliance.

Figure 4: TAM Participants



● IT-Enabled

Information technology proved to be a silver bullet in communicating TAM messages more efficiently and effectively. Take the example of Wechat, China's biggest social media platform which has 1.3 billion active users by June 2022. Capitalizing on its huge coverage and ease access, many tax offices opened corporate Wechat account to disseminate policy & administration updates, using texts, videos, animations, cartoons to optimize delivery.

Figure 5: Wechat



Utilizing big data technology, STA can identify the target companies of a new policy and push tailored notification via Wechat or email to different recipients in those companies. For example when a new tax reduction policy is introduced, the CEO of a target company will receive a push notification about the key policy points, the CFO receives policy interpretation while the account receives advice on the procedures to apply for the reduction. The process is accurate, fast and effective, generating very positive from taxpayers.

● Tax can be Fun

Local tax offices can be very creative when conducting TAMs, resulting in an interesting and colorful scene sometimes. For example, there was a great poet named Su Dongpo who was born in the year of 1037 in China's Sichuan province. Legend has it that he had a very smart sister known simply as "Sister Su". The two of them often had witty conversations and local history is full of their anecdotes. Building on the popularity of Sister Su, Sichuan Office of STA created a cute cartoon character of Sister Su and launched a taxpayer education program called "Sister Su talks about Tax", which went viral among the public. Another example is in the Guangxi Zhuang Autonomous Region, where many ethnic minorities live who has the tradition of singing folk songs. The Guangxi Office of STA compiled TAM messages to make them fit into some well-known folk songs, which was well received by the local

public.

Better Citizens & Society

● Better Dynamic between Taxpayers and Tax Administration

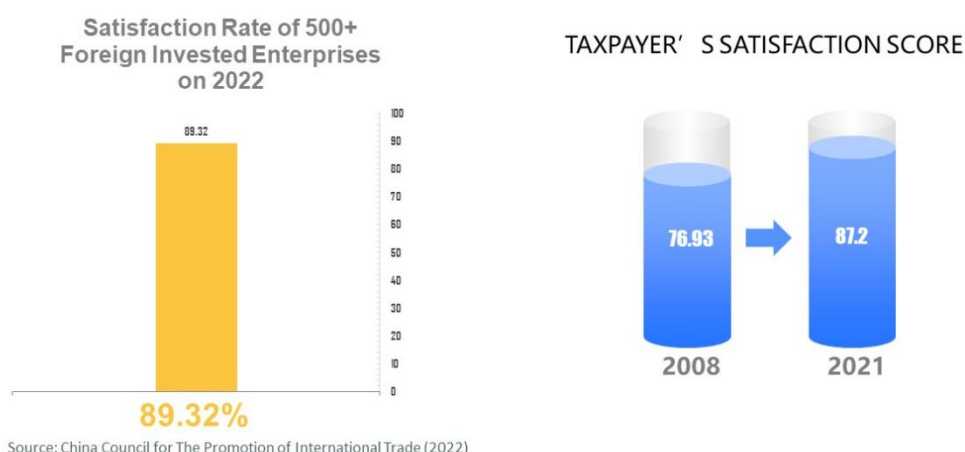
TAM's positive impact on tax compliance is significant, with the rate of on-time declaration and payment on the rise while the incidence of irregularities on the decline. Access to "non-contact" tax services reinforces this trend. By the end of January 2021, the number of corporate users of STA's E-Tax system increased to more than 65 million, the percentages of e-payment were 91% at the same time, on-time declaration rates of corporate income tax and value-added tax increased to 97.14% and 98.25% respectively.

TAM also helps to build trust between taxpayers and tax administration. A third-party survey showed that people's satisfaction score toward tax administration had increased from 76.93 points in 2008 to 87.2 points in 2021.

● Better Doing-Business Environment

Over the years, STA used the feedback from TAMs to improve taxpayer services, the result of which is manifested in the World Bank Doing Business Report (DBR). The ranking of tax indicators of China had risen 63 places from 2006 to 2019, and the tax time indicator of China ranks 47th in the world, above the average for OECD members. According to a survey conducted by the China Council for the Promotion of International Trade (CCPIT) on China's doing business environment in the second quarter of 2022, the satisfaction rate from the selected pool of 500 plus foreign invested enterprises reached 89.32%. (Figure 6)

Figure 6: Satisfaction Achievements



- **Better Society**

From a broader perspective, we can see that TAM acts as a catalyst to help the public better understand tax, especially its role in nation building. Through TAMs, people came to realize that tax plays an important part in poverty alleviation, pollution reduction, and more recently Covid-19 pandemic response and relief. The awareness that tax is highly relevant to society in general and to each individual's well being will prompt citizens to be more engaging in paying taxes and in the process of rule of law, to be a more cooperative player in the society.