

Optimizing Tax Policies to Promote Residents' Consumption in the Context of Digital Economy

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Abstract

As an important driving force for economic growth, consumption has been affected by the impact of the epidemic in recent years, and its contribution to economic growth has gradually declined. The report of the 20th National Congress of the Communist Party of China emphasized the fundamental role of enhancing consumption in economic development. In the context of the transformation of the digital economy, how tax policies can better respond to changes in residents' consumption needs and how to serve the strategic basis of expanding domestic demand have become important issues. This article studies the optimization of tax policies to promote residents' consumption under the background of the digital economy, the analysis of tax policies on residents' consumption, the measurement of digitalization levels, etc., and comprehensively analyzes the application of tax policies in the context of digital transformation and the intermediary effect of the digital economy, in order to promote high economic growth. Provide decision-making suggestions on quality development and China's modernization process.

Keywords

Digital Economy; Tax Policy; Consumption.

1. Introduction

1.1. Research Background and Significance

As an important driving force for economic growth, consumption has gradually declined in recent years due to the impact of the epidemic. The report of the 20th National Congress of the Communist Party of China emphasized the fundamental role of enhancing consumption in economic development. In the context of the transformation of the digital economy, how tax policies can better respond to changes in residents' consumption needs and how to serve the strategic basis of expanding domestic demand have become important issues.

The digital economy is an important engine for activating and tapping consumption. This article summarizes and sorts out the impact of the digital economy on residents.

The research status and mechanism of consumption, by measuring the development status of the digital economy, analyze the key factors that increase residents' consumption in the digital economy. On the one hand, to a certain extent, research on the impact of the digital economy on residents' consumption, especially on consumption structure and its impact on consumption through income; on the other hand, research on the impact of tax policies on residents' consumption. By adjusting tax policies, the government can encourage increased consumption expenditure by residents and increased purchasing power of consumers can increase residents' disposable income, thereby promoting the growth of consumer demand. In addition, tax

policies can also reduce the prices of goods and services by reducing or exempting consumption taxes or value-added taxes, further stimulating consumers' desire to purchase.

1.2. Theoretical Basis and Literature Review

As a new economic form after the agricultural economy and industrial economy, the digital economy has penetrated into all fields of human social development and caused profound changes in the economic model and economic environment. Scholars have studied and analyzed the impact of the digital economy from different perspectives, and proposed the theoretical logic and mechanism models of the digital economy for different subjects. The development of the digital economy is a key measure to achieve common prosperity. There is a positive interactive relationship between the digital economy and common prosperity, which improves prosperity by promoting human capital accumulation, technological innovation and accelerating industrial transformation. At the same time, by optimizing the matching mechanism of urban and rural factors and improving governance service levels, the digital economy has also promoted the improvement of sharing.

In general, the digital economy has played an important role in promoting the realization of common prosperity. Improve affluence by promoting human capital accumulation, technological innovation and industrial transformation; optimize the matching mechanism of urban and rural factors and improve governance service levels to promote sharing; realize resource empowerment, industry empowerment, consumption empowerment and open empowerment, and promote new Construction of development pattern; narrowing the development gap between regions and bridging the "digital divide". These are the positive impacts of the digital economy in achieving common prosperity.

The COVID-19 epidemic and the global economic downturn have put double pressure on our country's economy, forcing us to shift to a demand-based growth model. However, the "low consumption" economic characteristics are difficult to change in the short term, and issues such as the consumption gap between urban and rural residents, regional consumption differences, and group consumption differences caused by the Gini coefficient have become increasingly prominent. The fundamental role of consumption in economic growth needs to be activated urgently, and a sound social security system is a key measure to improve residents' consumption levels and optimize their consumption structure.

Tax incentives usually stimulate household consumption. The study found that the macro tax burden and residents' consumption have an inverted "U"-shaped relationship. Within a certain threshold, the tax burden promotes residents' consumption (i.e., the crowding-in effect). When the tax burden exceeds the warning value, it will crowd out residents' consumption (i.e., the crowding-out effect). At present, my country's tax policy is in the downward range on the right side of the curve. Educational fiscal expenditures drive residents' consumption from both supply and demand sides, and rural residents' consumption has stronger traction. At the same time, financial expenditures on education have accelerated the process of urbanization, raised residents' income levels, increased residents' consumption expenditures, narrowed the urban-rural income gap, and prompted changes in residents' consumption structure.

Regarding how to expand residents' consumption demand through tax policies, experts and scholars at home and abroad have done a lot of research from both the aspects of fiscal expenditure and tax policy, and have achieved rich results.

Overseas, Kim & Lambert (2009) and Hungerford (2010) focused on the redistributive effect of the tax system on society, believing that direct taxes such as personal income tax and corporate income tax can effectively regulate income distribution. According to consumption theory, income fairness is conducive to reducing consumption inequality, and then Promote residents' consumption [1]. Ayse Kaya (2016) used the VAR model to analyze the impact of different taxes on private consumption expenditures, showing that taxes have short-term, medium- and long-

term impacts on residents' consumption expenditures, among which the impact of value-added tax on residents' consumption is stronger than other taxes [2].

Yang Yiyong (2015) analyzed the income distribution pattern of residents, enterprises and the government and found that the decline in residents' consumption rate was because the income distribution pattern was biased towards the government, which inhibited the growth of residents' income and led to insufficient consumption. In this regard, he proposed that the tax system should be reformed.

carry out reforms and achieve economic structural transformation. Lu Yuanquan and Zhang Degang (2015) used dynamic panel models, spatial panel models, and panel vector autoregressive models to study the impact of changes in fiscal expenditures and tax structures on the consumption gap between urban and rural residents. The results of the study concluded that fiscal expenditures can narrow the consumption gap between urban and rural residents and the following. The tax structure with indirect taxes as the main body is not conducive to narrowing the consumption gap between urban and rural residents. The government should further increase expenditures on people's livelihood finance and accelerate the process of tax system reform.

Foreign L. Sekwati, Brothers W and Malema (2011) believe that increasing the value-added tax rate will reduce the actual disposable income of families, leading to a reduction in household consumption. The increase in the value-added tax rate will have the greatest impact on the consumption of poor families [3]. DeLong Zhang (2017) studied the relationship between China's personal income tax and residents' consumption expenditure structure and found that food expenditure is an important item in the entire residents' consumption expenditure, and the average personal income tax rate has a significant inhibitory effect on Engel efficiency [4].

Domestic Lu Yiping (2015) believes that excessive turnover tax burden will lead to an increase in the price of goods and services, thereby reducing the purchasing power of Chinese residents. Regarding the issue of turnover tax [5], Xi Weiqun also proposed that turnover tax will inhibit residents' consumption. At the same time, Through research, he found that as residents' income levels increase, consumers' sensitivity to mobility taxes will also increase [6]. Xu Quanhong (2013) concluded through empirical analysis that in the long run, corporate income tax and property tax have a certain crowding-out effect on residents' consumption, while turnover tax and personal income tax have a positive effect on residents' consumption [7]. Chu Deyin and Yan Wei (2012) believe that property tax crowds out residents' consumption, while both commodity tax and income tax crowd out residents' consumption demand, but the introduction of interest tax can effectively suppress the consumption demand of residents caused by personal income tax [8].

Foreign Campbell Y and Mankiw (1991) proposed that digital inclusive finance can improve the differentiation of residents' financial services, enhance financial inclusion, and achieve equal consumption [9]. Cochoy F et al (2020) stated that consumers and digital devices, digital devices and the market change consumer demand, consumption norms, ethics, culture and power, forming new consumption models and new production models, and digital technology strengthens the quality and intensity of stakeholders [10].

Domestic Xie Lijuan and Wang Xiaodong (2020) stated that the digital economy realizes social production, distribution, exchange and consumption activities through efficient network information systems to meet consumer needs and alleviate the contradiction between supply and demand in the new era [11]. Xiang Guocheng (2021) and other studies found that the digital economy has a significant threshold effect on residents' consumption. The digital economy has a smaller impact on urban residents' service consumption than rural residents. In particular, the Pearl River Delta and the Yangtze River Delta show a high-high agglomeration phenomenon. The main reason is that The digital economy promotes farmers' consumption and

income by improving rural circulation efficiency and optimizing regional industrial structure [12]. Huang Zhi (2022) and other studies found that the digital economy first deteriorated and then improved the demand structure and consumption structure. Consumption-based economic growth has significant regional heterogeneity. Science and technology expenditures in the eastern region help strengthen the transmission mechanism of the digital economy and consumption growth [13].

2. Research Design

2.1. Model Design

Through the previous theoretical analysis and among current tax policies, value-added tax and corporate income tax have the most significant impact on industrial structure upgrading, so this chapter selects value-added tax (VAT) and consumption tax (CT) as the core explanatory variables. In terms of residents' consumption, the level of residents' consumption is selected as the explained variable. At the same time, the level of digital economy development was selected as the intermediary variable, and the medical level and residents' consumption level were selected as control variables.

This chapter selects data from 30 provincial-level administrative regions (excluding Tibet, Hong Kong, Macao and Taiwan) in China from 2014 to 2021 as the research object, and the variable data are all logarithmically processed.

Establish the following regression model:

$$\ln hcrit = \alpha_0 + \alpha_1 \ln tax_{it} + \alpha_2 \ln X_{it} + \mu_i + \sigma_t + \varepsilon_{it} \quad (\text{Formula 1})$$

$$\ln Dige_{it} = \beta_0 + \beta_1 \ln tax_{it} + \beta_2 \ln X_{it} + \gamma_i + \tau_t + \sigma_{it} \quad (\text{Formula 2})$$

$$\ln hcr_{it} = \varphi_0 + \varphi_1 \ln tax_{it} + \varphi_2 \ln Dige_{it} + \varphi_3 \ln X_{it} + \varpi_i + \sigma_t + \gamma_{it} \quad (\text{Formula 3})$$

i and t respectively represent the i -th province and t -th year ($t=2014, \dots, 2021$); α_2 represents the corresponding regression coefficient, i and t represent the individual effect and time effect respectively, it means the mean is 0, and the variance is Constant error term.

In order to test whether the intermediary effect exists, equation 1 will first be regressed to study the effect of value-added tax and corporate income tax on household consumption; secondly, on the basis of the existence of equation 1, the core variable $\ln Tax_{it}$ will be adjusted to the intermediary variable \ln through equation 2 $Dige$ performs regression, and finally, the explanatory variables, mediating variables, and control variables are simultaneously included in Equation 3 for regression.

If the coefficients of $\ln Tax_{it}$ in equation 2 and $\ln ax_{it}$ and $\ln Dige_{it}$ in equation 3 are both significantly positive, then the mediating effect exists and is a partial mediating effect; if the coefficients of $\ln Tax_{it}$ in equation 2 and $\ln Dige_{it}$ in equation 3 are both significant, If positive, then the mediating effect exists and is the full mediating effect.

2.2. Variable Selection

2.2.1. Interpreted Variables

This article mainly wants to study the relationship between tax policy and residents' consumption, so it mainly chooses residents' consumption level as the explained variable. Resident consumption scale (hcr) represents the ratio of per capita consumption expenditure

to per capita GDP, and is used to measure residents' consumption level in economic activities. This article uses the household consumption rate to measure the scale of household consumption.

2.2.2. Explanatory Variables

Tax policy is an important tool for the government to carry out macro-control. Among the current tax policies, value-added tax and consumption tax, as the two major taxes in China, have the most significant impact on promoting residents' consumption. Therefore, this chapter selects the sum of value-added tax (VAT) and consumption tax (CT) (TAX) as the core explanatory variable.

Value-added tax (vat) represents the ratio of value-added tax revenue and business tax revenue to local tax revenue, and is used to measure the contribution of value-added tax in taxes to local tax revenue. In order to ensure the consistency of statistical caliber, business tax and value-added tax are calculated together. Consumption tax (ct) represents the ratio of consumption tax revenue to local tax revenue, and is used to measure the contribution of consumption tax to local tax revenue.

2.2.3. Control Variables

Medical level (med) represents the ratio of fiscal medical expenditure to general budget expenditure, and is used to control the impact of medical level on residents' consumption scale. Education level (edu) represents the ratio of fiscal education expenditures to general budget expenditures and is used to control the impact of education level on residents' consumption scale. By introducing medical level and education level as control variables, the impact of health care services and education investment on residents' consumption levels can be controlled, thereby more accurately assessing the impact of the tax structure on residents' consumption levels. At the same time, the medical level and education level also reflect the social development level and people's quality of life of a country or region, and have important reference value for studying the impact of the tax structure on residents' consumption levels. Resident income level (med) represents the ratio of per capita disposable income to per capita GDP, which is used to control the impact of residents' income level on residents' consumption scale.

Based on theoretical analysis, this study used credible data sources such as China Statistical Yearbook, China Tax Yearbook and EPS database to collect macro data from 30 provincial-level administrative regions across the country (excluding Tibet, Hong Kong, Macao and Taiwan) from 2014 to 2021. Including indicators such as taxation and consumption levels. To ensure the accuracy and reliability of the data, some data were calculated by the author. Through this study, we hope to gain an in-depth understanding of the impact mechanism of taxation on household consumption. A total of 248 valid observations were obtained. The analysis software in this article is Stata17. The descriptive statistics of each variable are shown in the table.

2.2.4. Mediating Variables

In recent years, the impact of the digital economy on the macroeconomy and business operations has received increasing attention. Therefore, this article selects the development level of the digital economy as an intermediary variable. At present, most scholars choose to measure the development level of the digital economy based on the perspectives of digital economic infrastructure, digital economic applications, digital industries, and digital governance. Based on the research on the digital economy by many domestic and foreign scholars, and the method of Zhao Tao et al. (2020), 5 secondary indicators are used to measure the development level of the digital economy. Combined with the availability of relevant data, an indicator system for digital economic measurement was constructed, and one first-level indicator and five second-level indicators were determined.

Table 1. Digital level measurement indicators

Level 1 indicators	Level 2 indicators	Level 3 indicators	Metric attributes
Comprehensive Development Index of Digital Economy	Internet penetration	Number of Internet users per 100 people	+
	Number of Internet-related employees	Proportion of computer services and software employees	+
	Internet-related outputs	Total telecommunications services per capita	+
	Number of mobile Internet users	Mobile phone subscribers per 100 people	+
	Inclusive development of digital finance	China Digital Financial Inclusion Index	+

2.3. Data Sources

Based on theoretical analysis, this study used credible data sources such as the National Bureau of Statistics, China Statistical Yearbook, China Tax Yearbook and EPS database to collect data from 30 provincial-level administrative regions across the country from 2014 to 2021 (excluding Tibet, Hong Kong, Macao and Taiwan) Macroeconomic data, including indicators such as taxation and consumption levels. To ensure the accuracy and reliability of the data, some data were calculated by the author. Through this study, we hope to gain an in-depth understanding of the impact mechanism of taxation on household consumption. The analysis software for this article is Stata17.

3. Empirical Process and Result Analysis

3.1. Baseline Regression

Before conducting empirical analysis, a suitable model should be selected. In this chapter, you first need to conduct a Hausman test to determine whether you should choose a mixed model, a fixed effects model, or a random effects model when analyzing panel data.

Table 2. Hausmann test results

Testing method	Chi2 ()	Prob>chi2 ()
Hausman test	36.37	0.000

In the Hausman test, it is significant at the 1% significance level, so it is considered that the fixed effects model should be used. In summary, the fixed effects model is selected for analysis below. According to the regression results, when examining the impact of value-added tax and consumption tax burden on residents' consumption rate, the estimated coefficient value of the tax burden is 0.0699, and can pass the test at the 1% significance level. This means that macro tax burden has a positive impact on promoting residents' consumption, which is different from our general understanding.

This may be because in my country, turnover tax accounts for a large proportion of the entire tax structure, and most turnover taxes can be passed on to consumers. In addition, tax knowledge is not yet popular among ordinary residents, and many people do not understand the tax burden they bear when purchasing goods. Since turnover tax accounts for the largest proportion of tax revenue, residents do not feel the tax burden clearly, which results in the tax burden having a limited impact on residents' consumption decisions.

Table 3. Fixed-effect regression results

	(1)
	lnhcr
lntax	0.0699 ***
	(5.19)
lnmed	-0.623 ***
	(-5.03)
lnedu	0.0263
	(0.31)
lninc	0.644 ***
	(32.29)
_cons	0.0321
	(1.81)
N	248

t statistics in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

In addition, increasing macro-taxation means an increase in the level of economic development, and people's consumption will increase accordingly. There is a positive relationship between taxes and household consumption, and it is statistically significant. This means that there is a positive correlation between the increase in tax revenue and the level of gentrification of the industrial structure. At the same time, there is a negative relationship between health care expenditure and household consumption, and it is statistically significant. This suggests that increases in health care spending may have a negative impact on the degree of gentrification of the industrial structure. The relationship between education expenditure and income level and the degree of gentrification of industrial structure is not statistically significant, which means that education expenditure and income level have no obvious impact on the degree of gentrification of industrial structure.

3.2. Robustness Check

In order to test whether the relationship between taxation and household consumption is robust, this chapter first replaces variables, replacing Tax with VAT and CIT. The specific results are shown in the table. During the robustness test, the positive correlation between value-added tax and consumption tax and household consumption was significant and significant at the 1% level, indicating that the test results have strong robustness.

The regression results show that value-added tax and consumption tax will promote residents' consumption. Value-added tax is closely related to residents' lives, and the demand elasticity is small. At the same time, residents have a weak sense of the tax burden of VAT, so VAT has a promoting effect on residents' consumption, but the promoting effect is small. Consumption tax levies taxes on high-end goods. Buyers of such goods are generally high-income groups, so consumption tax also has the function of adjusting income gaps, thus promoting residents' consumption.

Table 4. Change the results of the variable robustness test

	(1)	(2)
	lnhcr	lnhcr
lnvat	0.105 ***	
	(4.86)	
lnmed	-0.484 ***	-0.833 ***
	(-3.48)	(-6.65)
lnedu	-0.0324	0.122
	(-0.36)	(1.40)
lminc	0.664 ***	0.636 ***
	(33.12)	(30.11)
lnct		0.0578 ***
		(3.04)
_cons	0.0204	0.0700 ***
	(1.02)	(4.26)
N	248	248

t statistics in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

3.3. Mediating Effect

This article studies the relationship between tax policy and resident consumption in the context of the development of the digital economy, and selects the development level of the digital economy as an intermediary variable to be included in the model. This article draws on the research of Liu Jun et al. (2020), uses Internet development as a core indicator to measure the comprehensive development level of the digital economy, and constructs an indicator system based on digital transactions. Based on available relevant data at the city level, this article measures the comprehensive development level of the digital economy from two aspects: Internet development and digital financial inclusion.

In the measurement of Internet development at the city level, this article draws on the method of Huang Huiqun et al. (2019) and selects four indicators, including Internet penetration rate, related practitioners, related output, and mobile phone penetration rate. Specifically, these four indicators respectively correspond to the following actual content: the number of Internet broadband access users per 100 people, the proportion of computer service and software industry employees in urban units, the total per capita telecommunications business, and the number of mobile phone users per 100 people.

To measure the development of digital finance, this article uses the China Digital Financial Inclusion Index, which is jointly compiled by the Digital Finance Research Center of Peking University and Ant Financial Group (Guo Feng et al., 2020). Through the principal component analysis method, the data of the above five indicators are standardized and dimensionally reduced, and the final digital economy comprehensive development index is recorded as Dige.

Table 5. Results of mediating effect test

	(1)	(2)	(3)
	lnhcr	Indige	lnhcr
Intax	0.0841 *** (8.76)	0.369 *** (5.78)	0.0666 *** (6.84)
lnmed	0.257 * (2.03)	0.292 (0.35)	0.270 * (2.25)
lnedu	-0.237 *** (-3.48)	-1.124 * (-2.48)	-0.290 *** (-4.43)
lninc	0.639 *** (28.77)	0.397 ** (2.69)	0.658 *** (30.69)
Indige			0.0473 *** (5.16)
_cons	-0.00397 (-0.31)	0.471 *** (5.50)	0.0183 (1.41)
N	248	248	248

t statistics in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

In model (1), the core explanatory variable is tax , the dependent variable is digital economy comprehensive development index dige , and the relationship with the digital economy development level (dige) is positive and significant. This means that the increase in tax revenue is positively related to the development level of the digital economy. In model (2), after adding the mediating variable (dige), the relationship between the core explanatory variable tax (tax) and the mediating variable (dige) is positive and significant. This shows that there is a mediating effect between the increase in tax revenue and the development level of the digital economy. In model (3), after considering both core explanatory variables and mediating variables, the relationship between tax revenue and household consumption is still positive and significant. This shows that tax revenue has an important impact on the degree of gentrification of the industrial structure.

The regression results show that tax revenue has an important impact on the development of the digital economy. At the same time, the development level of the digital economy plays an intermediary role between tax revenue and the upgrading of the industrial structure. Education expenditure and income levels also have a significant impact on the level of digital economic development. Healthcare spending has no significant impact on the level of digital economic development in this model.

4. Research Conclusions and Policy Suggestions

Empirical results show that value-added tax and consumption tax have a positive effect on promoting residents' consumption. This may be because the tax rate of value-added tax is relatively low. The tax rate of value-added tax in China is usually around 13% , which is relatively low compared with the consumption tax rates of other countries. Low. This means

that the increased cost of VAT has a relatively small impact on consumers, thereby encouraging them to increase consumer spending. In addition, VAT has a small elasticity of demand: Demand elasticity refers to the sensitivity of changes in the price of a commodity to the quantity demanded. For some necessities and high-end goods, consumers' demand elasticity is smaller. Even if the price rises, consumers still need to buy. Value-added tax is usually levied on the transaction of goods and services, so its impact on goods with less elastic demand is relatively small. Consumers feel less tax-burdened by VAT: Compared with other taxes, consumers feel less tax-burdened by VAT. This is because the VAT collection method is relatively hidden, and consumers often find it difficult to perceive its impact on commodity prices.

Consumption tax is levied in the sales process of goods, which increases the price of goods. However, consumers have limited sensitivity to commodity prices, especially for necessities and high-end goods. Therefore, the increase in consumption tax has a negative impact on consumers.

The impact of purchasing decisions is relatively small, helping to stabilize consumption levels. Consumption tax usually applies to some non-necessities or luxury goods.

Luxury goods are subject to higher tax rates. Doing so can lead consumers to reduce their demand for these goods and instead increase their.

Consumption of other more basic goods and services promotes the optimization of consumption structure.

The development of the digital economy has had a direct impact on residents' consumption. The rise of the digital economy has changed the traditional economic model, providing more consumption choices and convenient shopping methods. For example, the popularity of e-commerce platforms has made it easier for residents to purchase goods and services, thereby promoting the growth of consumption. In addition, the digital economy has also given rise to new consumer demands, such as online education, online entertainment, etc., further promoting the increase in residents' consumption. Tax policy has an important impact on the development of the digital economy and residents' consumption. Tax policy can guide and stimulate the digital economy by adjusting tax rates, reducing taxes, etc., thereby affecting residents' consumption behavior. For example, lowering the tax burden on digital products and services can reduce residents' purchase costs, thereby stimulating consumption. In addition, tax policies can also affect the development of the digital economy and residents' consumption behavior by adjusting tax methods such as consumption tax and value-added tax. The intermediary effect of tax policy on the digital economy and household consumption is mainly reflected in two aspects. On the one hand, adjustments to tax policies can directly affect the development level and scale of the digital economy, which in turn affects residents' consumption behavior. On the other hand, adjustments to tax policies can also indirectly affect residents' consumption behavior by affecting the development of the digital economy. For example, reducing the tax burden on digital economy enterprises can promote their development, thereby stimulating residents' consumption of digital products and services.

Based on the above research, this article puts forward the following policy recommendations:

In terms of tax policy, we should optimize the tax structure and prevent the downgrading of residents' consumption. You can also regulate consumption.

Use taxes to optimize residents' consumption structure, promote the quality and upgrading of residents' consumption, and guide residents' consumption structure to become green and economical.

Energy transformation. Optimize the personal income tax rate, reasonably reduce the personal income tax rate for the middle and low-income groups, and adjust the income gap among residents while following the principles of fairness and efficiency. Accelerate the improvement of property tax, accelerate the reform of real estate tax, regulate residents' consumption and

investment, guide residents' income to flow into consumption, and enhance residents' willingness to consume.

The digital economy has an obvious intermediary effect on tax policies for residents' consumption. Tax policy can directly affect the development of the digital economy and residents' consumption behavior, or indirectly affect residents' consumption behavior by indirectly affecting the development of the digital economy. Therefore, when formulating tax policies, the impact of the digital economy on residents' consumption should be considered, and corresponding measures should be taken to promote the development of the digital economy and optimize residents' consumption structure.

Adjust consumption tax and value-added tax policies. According to the characteristics of the digital economy, adjust the scope of application and tax rates of consumption tax and value-added tax to promote the development of the digital economy and optimize the consumption structure of residents. For example, support for digital economy entrepreneurship and innovation: For digital economy startups, tax preferential policies can be provided, such as corporate income tax reduction and exemption, reduction of social insurance rates, etc., to encourage more entrepreneurs to devote themselves to the digital economy. Establish a reasonable tax supervision mechanism: Based on the characteristics of the digital economy, establish a highly adaptable tax supervision mechanism to strengthen tax management of digital economy enterprises and ensure the effective implementation of tax policies. Strengthen the coordination of tax policies: The digital economy involves many fields and requires the coordination of tax policies and other policies, such as financial policies, industrial policies, etc., to promote the development of the digital economy and residents' consumption.

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