

Research on Tax Evasion and Tax Inspection in the Film and Television Industry

-- Based on the Perspective of Economics

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Abstract

With the continuous development of China's economy and the continuous improvement of people's material living standards, people pay more attention to the wealth brought by the spiritual level than the material wealth. In this context, China's film and television industry has risen rapidly, but at the same time, the phenomenon of tax evasion by practitioners in various ways has been repeatedly prohibited. This paper first describes the current situation of tax collection and management in the film and television industry, and then discusses and studies the management of tax risk of enterprises by tax inspection. After that, through the analysis of specific cases of tax evasion in the film and television industry, it expounds the motivation of tax evasion from the level of tax system, tax collection and management, and tax governance environment, and finally puts forward suggestions for the film and television industry to avoid tax evasion.

Keywords

Film and Television Industry; Tax Evasion; Revenue Inspection.

1. Current Situation of Film and Television Industry Economy and Tax Collection and Management

In recent years, with the development of China's economy and the colorful and rich life of people, the material conditions are no longer the trend of the times. The public gradually pursue spiritual wealth, and the film and television industry has developed rapidly, occupying a place in all walks of life in China. In 2019, 254 TV dramas and 10600 episodes were produced and distributed nationwide, and the production time of TV programs of film and television series was 120300 hours, up 2.12% year on year. Nationwide, 211000 TV dramas were broadcast, and 8.4845 million hours of television programs were broadcast, up 3.21% year on year. In 2020, the national radio program production time was 8.2104 million hours, up 2.39% year on year; The broadcast time was 15.872 million hours, up 1.76% year on year. The broadcast time of TV programs was 19.8831 million hours, up 1.91% year on year. [1] Even affected by the epidemic, the film and television industry still shows the great potential of China's film and television industry with its optimistic economic base and considerable growth rate. The rapid development of the film and television industry has also brought about illegal acts such as tax evasion. In 2016, Fan won the first place with a revenue of 244 million yuan, and in 2021, Zheng set off a wave with a pay of 160 million yuan for 77 days. The film and television industry has become the hardest hit area for tax collection and management and has aroused widespread discussion from all walks of life.

2. The Research of Tax Inspection on Enterprise Tax Risk Management

2.1. Meaning of Tax Inspection

Tax inspection is an important step and link in tax collection and management, and a form of inspection and supervision of tax payment by tax authorities on behalf of the state according to law. The basis of tax inspection is various tax laws, regulations and policies with various legal effects. It can be divided into daily inspection, special inspection and special inspection.

2.2. Tax Risk Management in Daily Operation of Enterprises

As we often say, tax risk management is a part of enterprise risk management. During the operation of an enterprise, various business activities of the enterprise will have relevant financial budgets, which will lead to enterprise tax accounting between the financial budgets of the enterprise. Therefore, the management of tax risk is the management of national tax by the internal management part of the enterprise. The tax risks we often say are: legal penalties, financial losses or reputational damage to enterprises that may suffer if they fail to comply with tax laws and regulations. The enterprise tax risk includes the following two aspects: on the one hand, the enterprise's tax payment behavior does not comply with the provisions of relevant laws and regulations, the tax payable is not paid or the tax payable is underpaid, which will be subject to the risks of tax compensation, fines, late payment fines, penalties and corporate reputation damage; On the other hand, the tax law used by enterprises in their business activities is not accurate, and they do not fully understand the relevant preferential policies of the country, so that the enterprises themselves pay more taxes, which increases the tax burden of enterprises.

3. A Case Study of F Female Star's "Yin Yang Contract"

3.1. Introduction to F Actress's Tax Evasion Cases

In May 2018, because a famous host exposed a confidentiality contract on social software, the contract showed that the after-tax remuneration of F actress in this film was 10 million yuan, which was refuted by F actress studio. Then the host published an anonymous authorization letter and "Yin and Yang contract", with the amount of 50 million yuan and 10 million yuan respectively, and pointed out that F actress was suspected of tax evasion and should be subject to legal supervision.

The days of turmoil immediately became the focus of the media circle's scramble to broadcast, causing a heated discussion among the majority of netizens. The next day, the State Administration of Taxation ordered the tax authorities in Jiangsu and other places to investigate and verify, and the tax bureau in the place where the F actress studio is located has also stepped in to collect evidence.

After more than four months of evidence collection and investigation, it was determined that F actress did indeed evade tax in the film "Big Bomb", mainly by means of splitting the contract, i.e. "Yin Yang Contract", underpaying business tax, surcharges, personal income tax and other items, totaling 7.3 million yuan. Through the investigation, it was also found that F actress and the enterprise acting as the legal representative had underpayment of tax, including 134 million yuan of tax evasion. Moreover, after the outbreak of the case, Mou, the agent of F actress, instructed the company's employees to obstruct the investigation of the tax authorities, deliberately concealed and destroyed the company's accounting books, and was detained for criminal offences. The relevant heads of the tax authorities at the location of F actress studio were held accountable in accordance with the law. According to the provisions of the Tax Administration Law of the People's Republic of China, the local tax bureau undercharged the income of F actress and some companies under its name Using the "yin and yang contract" to

evade tax payment, using the studio to conceal the authenticity of income and the illegal assistance of the enterprise as its legal representative to evade tax and other acts, a total of 884 million yuan was paid and fined. However, due to the current tax law and criminal law of our country, F actress is the first time to evade tax, and has not been recognized by the tax authorities as having evaded tax. Therefore, after F actress has paid the tax and fine in full within the specified time limit, the tax authorities will no longer investigate her criminal responsibility.

3.2. Analysis on the Causes of F Actress's Tax Evasion

3.2.1. Tax System Level

(1) The construction of tax system lags behind

First of all, in the processing results of F actress, all laws and regulations implemented by the tax authorities are not only for the film and television industry, but for the whole society. At the same time, we have to face a problem that most of their income as the film and television industry is extremely high. For example, in this tax investigation, F actress, as an individual, paid 6.18 million yuan less in terms of personal income tax. However, in the Law of the People's Republic of China on Tax Collection and Administration, the film and television industry is not listed as a separate section, and the specific problems will be analyzed.

In addition, the tax penalty of F actress up to 800 million yuan and the tax of 11.747 billion yuan in the film and television industry for the first round of self-inspection and self-correction by the end of 2018 have not been given corresponding criminal responsibility, which is based on the provisions of Article 201 of the Criminal Law of the People's Republic of China. Similarly, this provision is not set up separately for the film and television industry, but applies to all citizens of the People's Republic of China. [2] However, as a special cultural industry, the income of the film and television industry is extremely high. In just three months, 11.747 billion tax loopholes can be found. The lagging construction of the tax system for practitioners in the film and television industry will lead to the phenomenon of tax evasion by taxpayers in the film and television industry.

(2) Incomplete preferential tax policies

Through sorting out the current preferential policies for the film and television industry, it is not difficult to find that although the central government has overall preferential policies, the local government still issued relevant preferential policies on the basis of the central preferential policies. [3]

According to the public information inquiry, as of the date of the "big investigation" of F actress, there were 6 companies that F actress acted as legal person, 6 companies that acted as shareholders, and 8 companies that acted as executives. These companies covered multiple industries, including cultural media, film and television production and distribution, investment management, wine, etc. [4] There are 6 film and television companies in total, of which 3 are located in Wuxi, Jiangsu Province, the tax preference area, 1 is located in Shanghai, and 1 is located in Horgos, Xinjiang, the "tax haven". Through analysis, it is not difficult to find that film and television companies attracted by the preferential tax policies of the central and regional governments are not only difficult to have a strong driving effect on the local economy, but also easy to breed illegal acts such as tax evasion.

3.2.2. Tax Collection and Management

(1) Tax source information asymmetry

Due to the diversity of the income of the film and television industry employees, the imperfection of the current tax authorities, and the nonstandard tax sources, there is information asymmetry between the film and television industry employees and the tax authorities in the tax sources. This information asymmetry tax source will create favorable

conditions for the film and television industry employees to transfer or conceal their income for tax evasion.

In real life, practitioners in the film and television industry often hold several positions, both in the performing arts industry and in the investment of their own companies. Their income forms are diversified and involve many fields. In this case, the companies under the name of F actress involve cultural media, film and television production, film and television development, investment management, wine and other industries. Not only that, F actress also has some transnational businesses, such as participating in foreign films such as "X-Men 5" and "Iron Man 3". The income from overseas is more secret than domestic income. The more income forms of film and television stars, the more difficult it is for the tax authorities to monitor the tax source information, and the easier it is to provide convenience for the film and television stars to transfer and conceal their income for tax evasion. When the film and television stars deliberately conceal the tax source information, the tax authorities are difficult to detect in time.

(2) Insufficient law enforcement

China's punishment for individual tax evasion for the first time has been changed from the previous punishment to the current economic punishment. As long as all taxes are paid, criminal liability can be exempted. Although the punishment methods are different, the common goal is to increase the tax evasion expenses of the taxpayer and reduce the probability of tax evasion. However, in the actual situation of our country, there is still a problem of weak law enforcement in the investigation and punishment of tax evasion. Its deterrence is insufficient, and it is difficult to reach the highest level of tax revenue, which leads to a significant reduction in the deterrence of tax evasion offenders, and also makes taxpayers have the illusion that the tax department is only doing a good job, rather than seriously investigating and punishing tax evasion.

3.2.3. Environmental Aspect of Tax Administration

(1) Weak tax awareness

Generally speaking, Chinese taxpayers' awareness of tax payment is not strong enough. The reason is also closely related to China's complex history and social economy. And as a public figure, especially the performing arts practitioners with great influence, the expanding group should strengthen the awareness of paying taxes. Observing the law and discipline is not a simple four words, it is not just a verbal statement when attending the event or accepting an interview, and it is not a repentance only after the incident, but a matter internalized into the actual behavior itself. To establish a correct view of finance and taxation and cultivate a good sense of taxation is what an entertainer with many admirers should really do.

(2) Poor tax protection and coordination

After the "Yin and Yang Contract" signed by actress F in the film "Big Bomb" was exposed, it was investigated and dealt with by the tax authorities. In this "Yin and Yang Contract" event, there were three main groups involved: actress F, investors and producers.

From the analysis of the value chain of the film industry, we can see that the three parties belong to a cooperative relationship. However, considering the costs and benefits of each party, the cooperation process of the three parties belongs to a cooperative game process. For example, in order to maximize their own interests, the three parties often have disputes on the issue of role selection and film remuneration. [5]

First of all, F actress. In this case, F actress, as an actress who has won various film and television awards and brought her own flow, has a strong bargaining power. However, in the face of legal constraints, she failed to resist the huge temptation to sign a "yin and yang contract" with the investor to evade taxes.

The second is the investors, who bear the pressure of box office, and their investment behaviors tend to pursue the maximization of interests. The selected role of color TV needs the appeal of

box office to ensure the return on investment. In the face of the temptation of box office income and the signing of "Yin and Yang contracts" to evade taxes, it is likely to take risks.

Finally, the producers, according to the producers' reaction, the film "Big Bomb" has experienced four years of script creation and preparation, and four years of 1 shooting and post-production, which has gathered the efforts of many people in the film. In such a desperate desire for the release of the film, it is likely that the investor and actress F will be acquiesced in the act of tax evasion by signing a "negative contract".

4. Suggestions on Preventing Practitioners in the Film and Television Industry from Evading Taxes

4.1. Optimize Tax System

4.1.1. Improve the Tax Legal System

On the basis of the basic tax law, we should establish a tax system for the film and television industry, refine the classification criteria for the income of the film and television industry practitioners and their studios and companies, and clarify the types of income tax that should be declared, so that the film and television industry taxpayers can abide by the law and must abide by the law, so as to eliminate the possibility of underpayment of taxes from the source and making use of loopholes to pay taxes wrongly. In addition, China's tax procedural law and tax substantive law should be improved to regulate the tax collection regulations in advance, the tax inspection in the process, and the tax fines and litigation after the event. In addition, special tax laws should be formulated to guide specific tax relations and improve the specific supporting policies of the tax collection and management law.

4.1.2. Improve Tax Preferential Policies

As a cultural industry, film and television companies can drive the development of local society, economy, employment and other aspects to a certain extent. Therefore, the key to the implementation of a preferential policy is to see whether it can retain the settled enterprises. Even when the preferential policy expires, it will also develop in the long term. If it is just idle and there is no substantive investment, the policy will become invalid. Therefore, for the film and television industry, we can introduce special preferential policies and optimize a single preferential method. For example, we can implement specific preferential policies on the tariffs on the introduction of advanced equipment and the value-added tax on the training of film and television talents, and strive to make the tax preference a condition to attract the landing and development of the film and television industry, rather than cancel the withdrawal after a large number of settling in for tax benefits, It is not to use tax incentives to register shell companies for illegal activities such as tax evasion.

4.2. Strengthen Collection and Management

4.2.1. Improve the Monitoring System

In the actual tax collection and management work, the situation of tax sources is complex and changeable. The current tax source management system is for enterprises, not for individuals. However, as a group with abnormally high income and high tax payment, practitioners in the film and television industry should also become the focus of personal tax source management. First of all, the film and television industry employees are represented by film and television stars, and the amount of income is relatively large. Since the high-income stars in the film and television industry in China can be enumerated in full, it is feasible to provide tax files for each film and television star. By establishing tax files, first of all, the income of movie stars can be compared vertically, and the authenticity of their income and tax payment can be roughly judged by comparing their work itinerary and other investment income with the tax data of

historical income; Secondly, we can make a horizontal comparison of the income of film and television stars. Whether there is a big difference in the income of film and television stars with comparable commercial value in their performance activities, thus clarifying the direction for the inspection of the tax authorities; Finally, film and television stars can also be divided by region, and the income level of film and television stars in different regions can be compared to analyze whether film and television stars have the suspicion of hidden income. Through such a standardized way of data, it will help to accurately grasp and predict changes in tax sources, so as to more effectively monitor tax sources and early warning tax risks.

4.2.2. Strengthen Inspection

Due to the limited human and material resources, it is impractical to invest huge audit resources into the film and television industry. It is impractical to carry out tax audit on all employees in the film and television industry. First, the audit cost is too high, and the allocation of audit resources is unreasonable. Second, excessive audit will affect the taxpayer's choice of tax behavior. However, if taxpayers are not subject to tax inspection, it will not be able to find out whether they have evaded tax in a timely manner, which will also make the tax evasion of taxpayers more rampant. Therefore, when carrying out tax inspection, the tax authorities should focus on strengthening the inspection efficiency, determine the reasonable inspection rate in a scientific way, and ensure the investigation and punishment rate of tax evasion while reducing costs.

4.3. Improve the Tax Administration Environment

4.3.1. Strengthen Star Training

In order to enhance the awareness of tax payment of film and television practitioners, it is necessary to strengthen the active learning about tax payment according to law. From the perspective of the public character attribute of high-income film and television practitioners themselves, tax awareness will be very important. Lifelong tax payment requires lifelong learning. The establishment of correct fiscal and tax concepts and theoretical learning of tax knowledge must be a lifelong compulsory course for film and television practitioners. For the practitioners in the film and television industry, the active learning of the knowledge of tax payment according to laws and regulations must have the mentality of "long way to go, I will search up and down", not just waiting for the daily popularization of the tax department. The best way to transform a knowledge from theory into a person's practical action is to constantly learn actively and guide practice with theory, so as to form a good tax habit and promote the film and television industry to form a good atmosphere of paying taxes according to law.

4.3.2. Promote Tax Protection

The personal income of film and television stars is diversified. In addition to personal investment, the sources of their film remuneration include but are not limited to film and television dramas, advertising endorsements, commercial hosts and performances, which means that this part of the income source is open. Compared with closed transactions in other industries, this provides the possibility for tax protection and tax obligations, Improving the environment of tax protection and cooperation will have a more obvious effect on reducing tax evasion.

On November 9, 2018, the State Administration of Radio, Film and Television of the People's Republic of China issued the Notice on Further Strengthening the Management of Radio, Television and Online Audiovisual and Artistic Programs (hereinafter referred to as the Notice), which clarified the proportion of film and television stars to be paid for TV variety shows, and put forward requirements for TV variety shows. It is not allowed to use film and television stars as selling points to mislead the majority of teenagers to blindly pursue stars. It is necessary to have taste, style and spread positive energy, Adhering to the promotion of the socialist core

values has played a positive role in the tax protection and coordination environment to a certain extent, but it is worth noting that TV stations are generally public institutions, which are objectively easier to manage, while film and television companies and network platforms that have more business dealings with film and television stars should also be subject to strict supervision, and we should strengthen their performance of the tax protection and coordination obligations through contract filing and review, and increase the punishment of violations.

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