

The Enlightenment of Shanghai Free Trade Zone to the Development of Heilongjiang Foreign Trade from the Perspective of Tax Policy

Ping Li, Yizhou Yang

Department of Economics, College of Humanities and social science of Harbin Institute of Technology, Harbin, China

hitlipings@aliyun.com

Abstract: The China (Shanghai) Pilot Free Trade Zone is an active exploration and bold experiment by the Chinese government in foreign trade, taxation systems, laws and regulations. The Shanghai Free Trade Zone will continue to improve its self-system according to its own development and find a way to economic development that can be replicated and extended to the whole country. The “replicable and scalable” tax policy owned by the Shanghai Free Trade Zone can be used to draw lessons from Heilongjiang’s foreign trade, and to tax some issues such as the trade structure and total trade volume of Longjiang’s foreign trade, finance, and investment. The guiding significance of the aspect has a strong practical significance and reference for the economic development of Heilongjiang Province, and provides theoretical support for Heilongjiang Province's comprehensive and healthy economic development.

[Ping Li, Yizhou Yang. **The Enlightenment of Shanghai Free Trade Zone to the Development of Heilongjiang Foreign Trade from the Perspective of Tax Policy.** *World Rural Observ* 2018;10(4):39-43]. ISSN: 1944-6543 (Print); ISSN: 1944-6551 (Online). <http://www.sciencepub.net/rural>. 6. doi:[10.7537/marswro100418.06](https://doi.org/10.7537/marswro100418.06).

Keywords: Free trade; Tax policy; International investment

1. Introduction

The China (Shanghai) Pilot Free Trade Zone, referred to as the Shanghai Free Trade Zone, was established in September 2013 and is a free trade park established by the National Government in Shanghai. The establishment of the Shanghai Free Trade Zone is a new free trade zone that the Chinese government has explored on the basis of the existing comprehensive bonded zone to promote reform and opening up and explore new types of economic system development; especially in terms of tax policy. Actively adapt to the situation of the free trade zone and explore a set of taxation systems that can be extended to the whole country.

Heilongjiang, which is located in the border province of China, is adjacent to Russia and has many open ports. The geographical conditions of foreign trade are very advantageous. However, in recent years, the foreign trade situation of Heilongjiang is not optimistic. There are problems such as the stagnant trade volume and the relatively simple export structure. The policies in all aspects still need to be further improved.

2.

3. Heilongjiang Foreign Trade and Tax Policy

2.1 Foreign trade situation in Heilongjiang Province

As a border province of China, Heilongjiang Province has reached more than 40 countries and regions for export, and relying on geographical location advantages, the total trade volume with Russia has reached 1/4 of the national trade with Russia. However, due to internal and external factors

such as the international environment and taxation policies, there are still some problems in foreign trade in Heilongjiang Province.

2.1.1 The trade structure needs to be optimized

The export commodities of Heilongjiang Province are mainly concentrated in the primary products or the middle and lower reaches of the industrial chain. The added value is low, and the competitiveness in the international market is weak, especially in clothing, shoes and hats, agricultural products, etc. The proportion of technical products is less than 2%; while the imported goods are mainly concentrated in bulk commodities such as crude oil, and high-tech products are basically in a very small share. In addition, in terms of trade methods, the main focus is on general trade and small-scale border trade, with a proportion of more than 90%; while processing trade has a higher Liu Run's trade pattern, the proportion is very weak. The import and export structure of Heilongjiang Province is too monotonous and at a low level, which also restricts the development of the overall trade in Heilongjiang Province.

2.1.2 The total volume of foreign trade stagnates

In the first decade of the 21st century, Heilongjiang Province's foreign trade was in a relatively large growth trend, but in recent years, the total volume of goods entering and leaving has been in a stagnant or even declining situation.

In 2015, due to various factors at home and abroad, the large-scale reduction of foreign trade in Heilongjiang Province has also had a significant impact on the economy of Heilongjiang Province.

2.1.3 High dependence on Russia

Heilongjiang's trade with Russia has always been at the leading level in the country, accounting for a quarter of the country's trade with Russia. However, relying too much on trade with Russia also limits the import and export of Heilongjiang. For example, for the ASEAN countries that have been developing and expanding recently, Heilongjiang trades less than 10% of its trade volume with Russia, which is not conducive to long-term development under economic globalization and the "Belt and Road" strategy.

2.2 Heilongjiang Province's taxation on trade development

The taxation of foreign trade in Heilongjiang Province mainly includes the taxation of border trade and the taxation policy of Harbin Comprehensive Bonded Zone. The border trade in Heilongjiang's foreign trade mainly involves tariffs and value-added tax, and assists with some special preferential tax policies. The newly established Harbin Comprehensive Bonded Zone in 2016 mainly possesses four core functions of bonded processing, bonded logistics, bonded services and customs clearance. However, it has to be acknowledged that there are still certain problems in the trade development tax of Heilongjiang Province.

2.2.1 Imperfect tax structure

Under the circumstance of the continuous development of the tax policy of border trade, some tax incentives for import and export commodities have been abolished, some tax incentives are not clear enough, and the orientation is not strong. The economic effects brought by taxation policies are gradually blurred and cannot be perfected. The overall tax structure has no way to create a strong tax policy-driven effect.

2.2.2 Tax policy implementation issues

Taxation service personnel have higher professional literacy requirements, especially when it comes to international taxation, it requires specialized international tax technical personnel. The lack of talents will lead to certain irregularities and omissions in the implementation of taxation. On the other hand, the unclear implementation of taxation methods also brings uncertainties to taxation, which requires timely and targeted implementation and effective implementation.

2.3 The taxation policy of Shanghai Free Trade Zone

The "China (Shanghai) Pilot Free Trade Zone Overall Plan" is the overall program for the development of the Shanghai Free Trade Zone. Through this program, the free trade zone will carry out innovative reforms in the areas of taxation, legal system and regulation to explore and explore. The Shanghai Free Trade Zone is constantly innovating

and exploring taxation, trying to create a new tax policy that can be promoted and copied to the whole country to promote investment and trade. The taxation policies in the free trade zone are mainly in the two levels of the country and Shanghai, and mainly focus on promoting investment and promoting trade.

2.3.1 Promote investment

In terms of promoting investment and building factories, the Shanghai Free Trade Zone has carried out various preferential policies, such as deferred taxation policies, that is, income tax payable by enterprises or individuals can be paid in installments within five years; enterprises established in the free trade zone. In addition, the 15% income tax exemption can be obtained; for example, enterprises and their subsidiaries in the park can have preferential export tax rebate policies for financial leasing. Under a series of preferential policies, we actively guide domestic and foreign capital to enter various fields in various forms such as patents and shares, and promote the adjustment and upgrading of the industry.

2.3.2 Promoting trade

In promoting the development of import and export trade, the Shanghai Free Trade Zone is mainly guided by export tax rebates, VAT discounts, and tariff preferences. The main targets are lease financing projects and taxation projects that extend in the comprehensive bonded area. These taxation policies can alleviate the tax burden of enterprises in the free trade zone and promote the development of cross-border financing and trading in the park. Coupled with a wide range of follow-up measures to expand export tax rebates and tax exemptions, and significantly reduce tariffs on designated products, the level of trade development in the Shanghai Free Trade Zone has been greatly improved.

3. Characteristics of Shanghai Free Trade Zone Tax Policy

The "China (Shanghai) Pilot Free Trade Zone Overall Plan" is the overall program for the development of the Shanghai Free Trade Zone. Through this program, the free trade zone will carry out innovative reforms in the areas of taxation, legal system and regulation to explore and explore. The Shanghai Free Trade Zone is constantly innovating and exploring taxation, trying to create a new tax policy that can be promoted and copied to the whole country to promote investment and trade. The taxation policies in the free trade zone are mainly in the two levels of the country and Shanghai, and mainly focus on promoting investment and promoting trade.

3.1 Promote investment

In terms of promoting investment and building factories, the Shanghai Free Trade Zone has carried out various preferential policies, such as deferred

taxation policies, that is, income tax payable by enterprises or individuals can be paid in installments within five years; enterprises established in the free trade zone. In addition, the 15% income tax exemption can be obtained; for example, enterprises and their subsidiaries in the park can have preferential export tax rebate policies for financial leasing. Under a series of preferential policies, we actively guide domestic and foreign capital to enter various fields in various forms such as patents and shares, and promote the adjustment and upgrading of the industry.

3.2 Promoting trade

In promoting the development of import and export trade, the Shanghai Free Trade Zone is mainly guided by export tax rebates, VAT discounts, and tariff preferences. The main targets are lease financing projects and taxation projects that extend in the comprehensive bonded area. These taxation policies can alleviate the tax burden of enterprises in the free trade zone and promote the development of cross-border financing and trading in the park. Coupled with a wide range of follow-up measures to expand export tax rebates and tax exemptions, and significantly reduce tariffs on designated products, the level of trade development in the Shanghai Free Trade Zone has been greatly improved.

3.3 Characteristics of Shanghai Free Trade Zone Tax Policy

Without departing from the general direction of tax reform and international practices, the Shanghai Free Trade Zone can actively study and improve tax policies that are suitable for overseas equity investment and offshore business development. However, such tax laws and management are basically blank in China. They draw on the tax laws and policies of Hong Kong and Singapore, and combine with China's national conditions to explore China's special tax system in this respect. It is a relatively long-term and needs to be practiced continuously. the process of. The core function of the establishment of the Shanghai Free Trade Zone is to locate an experimental field that will be transformed from a traditional free trade zone to a reform and opening up. With the economic globalization and the development of the Belt and Road, the tax policy of the Shanghai Free Trade Zone is continuously optimized, and the development of the relevant infrastructure industry will directly benefit the enterprises in the park. The state also actively called on the Shanghai Free Trade Zone to establish a tax policy that can be replicated and promoted nationwide, improve a set of tax service systems that promote investment and trade, and better promote all aspects of the Chinese economy under the framework of the Belt and Road Initiative. development of.

4. Analysis of the taxation system of Shanghai Free Trade Zone

4.1 Feasibility of replicating the tax policy of Shanghai Free Trade Zone in Heilongjiang Province

On the one hand, the country's macro policy environment promotes regional foreign trade and free trade zone experiments. In recent years, the state has introduced a series of tax policies that encourage the import of manufactured equipment and merchandise exports, and has given full taxation power to their respective trade zones, and the taxation policy of the Shanghai Free Trade Zone itself is "reproducible and scalable". The premise of the goal is to provide a practical theoretical basis for taxation policies across the country, and to provide a template for taxation policies to improve the level of foreign trade. Under the macro national policy conditions, Heilongjiang Province has provided a strong guarantee for actively drawing on the tax policy of the Shanghai Free Trade Zone.

On the other hand, the current situation in Heilongjiang Province also determines the need to improve its own conditions and policies, especially in the area of foreign trade tax policy. The lack of foreign trade has also dragged down the overall economic level of Heilongjiang Province to a certain extent, so the development of trade level is a major problem that needs to be solved urgently. In addition, Heilongjiang Province's relatively complete industrial system, the continuity of trade with Russia and its superior geographical conditions are the basic conditions that can be utilized; with appropriate and comprehensive policies, in response to the "One Belt, One Road" plan internationally Under the circumstances, the prospects for foreign trade in Heilongjiang Province are immeasurable. Therefore, it is an urgent task to explore a set of policy systems that are suitable for the status quo.

4.2 Giving full play to geographical advantages

In terms of foreign trade, Heilongjiang needs to give full play to its geographical conditions and location factors. Under the favorable trade development environment, it actively learns from and absorbs the results of the Shanghai Free Trade Zone that has already had an impact on the innovation tax system. As shown in Table 4-1, under the ever-expanding opening-up pattern and the steady development of China-Russia economic and trade cooperation, Heilongjiang has obtained 25 countries and other open ports. These cities are basically located in Heilongjiang and Wu The border of the Suri River basin. On the basis of the established open ports, Heilongjiang can learn from the taxation system of the Shanghai Free Trade Zone in promoting import and export trade, and start with tariffs and value-added

taxes to promote general trade at border ports and small-scale border trade. It can directly encourage the increase of bilateral trade. On the one hand, it is necessary to retain the original tax policy preferences to ensure that the scale of product transactions can be gradually and steadily developed. For example, in the trade of commodities such as oil and natural gas, clothing parts and other daily necessities, it is worthwhile to assist in the use of tax incentives, fully utilize the geographical advantages of open ports, and continue to maintain stable cyclical trade. On the other hand, it is also necessary to further expand the taxation system, and to expand the scope and scope of service trade on the basis of existing trade, for example, in the industrial chain with high added value and profit, such as processing industry and high-tech products. We will give more preferential policies to guide enterprises and individuals to slant resources in these key areas and key products, and to achieve the purpose of promoting the adjustment of import and export trade structure and upgrading of industrial structure.

Also, it is necessary to give full play to the advantages of ports corresponding to the Russian border, such as Mohe to Galinda and Heihe to Blagoveshchensk. Transportation costs, ease of transportation, and preferential policies are all advantages that can be exploited by these border ports or border cities. Directly in these regions or cities, give some industrial products such as processing and trade, and play the role of a small free trade zone. It can also promote the economic development of the border cities of Heilongjiang and help the overall economy of Heilongjiang Province move forward.

4.3 Giving full play to the role of the comprehensive bonded zone

Heilongjiang has Harbin Comprehensive Bonded Zone, and in the Shanghai Free Trade Zone, it has four bonded areas, including Shanghai Waigaoqiao Free Trade Zone, Waigaoqiao Bonded Logistics Park, Yangshan Bonded Port Area and Shanghai Pudong Airport Comprehensive Bonded Zone. It was worth to learning from.

For example, in the Shanghai Pudong Airport Comprehensive Bonded Zone, the functions of the comprehensive bonded zone, the export processing zone and the bonded logistics zone are superimposed, and high-profit, high-tech products including medical equipment, high-end luxury goods, and electronic information products have been introduced. investment. Compared with Harbin Taiping International Airport, as one of the fulcrums of the Northeast Asia region such as Japan and Russia, you can gain some experience in import and export at the border, especially in logistics and trade, which can be actively guided by the tax system. The creation of tax

incentive zones will achieve better clustering effects and give full play to the geographical advantages of Harbin Taiping Airport.

In addition, the Harbin Comprehensive Bonded Zone should also actively play its advantages in currency exchange rates, especially in the case of Russia, the ruble's cash transactions and account deposit business can reduce the transaction costs, Russian users can directly in the bonded area. Conduct currency transactions to provide a more convenient and broader exchange platform. We must also actively use the historical advantages of the industrial base in the three provinces. In the bonded area, we can give more industrial products such as bonded, tax refund and tax exemption to aerospace, mechanical design and other industrial fields and industrial processing fields. Good to promote the revitalization of the old industrial base.

On the other hand, we must actively promote the comprehensive construction of the Harbin Comprehensive Bonded Zone, making it a competitive import and trade base in Heilongjiang and even the three eastern provinces. In the existing free trade areas and common practices, we will bring into play the integration market between Harbin and Russia, accelerate the trade innovation role of offshore services, gather high-end trade and trade services, and strengthen the function of import trade in international trade, processing and manufacturing, and modern The core functions of logistics and other three areas contribute to the optimization of foreign trade structure.

4.4 Actively integrating into the “Belt and Road” framework

The Shanghai Free Trade Zone will focus on promoting the technical service measures enterprise service center, deepening the construction of overseas investment service platforms, accelerating the construction of import commodity centers, enhancing financial service functions, and strengthening personnel exchange and cooperation. In the import commodities, investment services, More specific areas such as the introduction of technology trade give more tax policies. On the other hand, although the “Belt and Road” does not directly pass through the Heilongjiang region, the “One Belt, One Road” expanding world influence and the “Middle East Railway” are important places in the Siberian Railway. Heilongjiang Province can also ride. Spring wind of the “One Belt, One Road”, in light of its own situation, constantly reforms the taxation system, promotes economic development, and conducts foreign economic and trade cooperation.

First, Heilongjiang Province should focus on improving the level of trade facilitation and promoting smooth trade. This requires the government to

simplify the tax procedures in the process of import and export products, clear tax procedures, exempt taxes and tax cuts for necessary products, and speed up the exchange of product trade.

Second, actively playing a new type of trade, including the Internet trade model including e-commerce platform. This requires a higher tax system. It is necessary to clarify the relevant tax requirements. It is necessary to have clear provisions on the tax categories, tax rates, tax incentives, etc. of customs clearance commodities, so that cross-border transactions of e-commerce can be better and healthier.

Third, the cross-border industrial chain, industrial parks, and bonded areas will be integrated. It is necessary to highlight the cooperation of key resources and the supporting development of the manufacturing industry chain, especially in the trade of key commodities such as crude oil and natural gas, which can provide substantial tax incentives, further deep processing in the Heilongjiang region, and trade cooperation in the bonded area.

Fourth, actively exploring channels for introducing investment. The Shanghai Free Trade Zone has obvious service platform effects. Foreign-funded enterprises enjoy preferential tax incentive policies for equity incentives in the free trade zone, and enjoy favorable taxation conditions in investing in factories and infrastructure in the park. Heilongjiang Province is also actively exploring practice, promoting the reform of the taxation system for foreign capital investment, reducing the investment cost brought by taxation, giving great support to the introduction of high-tech fields, and creating conditions for the transformation and upgrading of the industry.

Conclusion

At this stage, the economic development of Heilongjiang, especially foreign international trade, has reached a bottleneck period, and deepening institutional reform is a historical necessity. Heilongjiang Province has a superior geographical position and a relatively complete economic development system, and can seize great historical opportunities under the framework of "One Belt, One Road". On the other hand, the experience of the Shanghai Free Trade Zone in tax policy has also

clarified the general direction of Heilongjiang's taxation on foreign trade; in particular, the Shanghai Free Trade Zone Asset Restructuring Income Tax Policy Model will be the promotion of Heilongjiang's trade circle with Russia. The goal of building a key application. Of course, the replication policy is not a simple take-up, and it is necessary to formulate practical policies in light of the actual situation. This requires Heilongjiang Province to analyze the different needs of trade for taxation policy in the future development of trade; on the other hand, it should fully study the promotion effect of taxation policy on trade development, and thus formulate similarities with Shanghai Free Trade Zone. The taxation policy with incentives to promote the development of Heilongjiang trade to a higher level.

Reference:

1. Jin Shi-yu, Tu Xuan. Coproduction of Public Service in Economic Development Zones: The Case of China (Shanghai) Pilot Free Trade Zone [C].//2017 International Conference on Public Administration (12th) & International Symposium on West African Studies (1st).
2. Sun Hao. Study on Relationship Between Trade Development of Waigaoqiao Free Trade Zone and Economic Growth in Shanghai [C].//2010 International Conference on Management Science and Engineering (2010).
3. Zheng Wan, Yang Zhang, Xuefeng Wang, et al. Policy and politics behind Shanghai's Free Trade Zone Program [J]. Journal of transport geography, 2014,34(Jan.):1-6.
4. Gonzalo Villalta Puig, Sabrina Leung Tsam Tai. China (Shanghai) Pilot Free Trade Zone Investor-State Dispute Settlement: An Uncertain Experiment [J]. Journal of world investment and trade,2017,18(4):673-711.
5. New Shanghai Free Trade Zone a boost for container market [J]. Container shipping & trade, 2014,3(1):29-29.
6. Oil Daily group. China Moves Crude Futures Contract Into Shanghai Free Trade Zone [J]. Oil Daily,2013, (Nov.18):3-4.
7. The Economist. Shanghai's Free Trade Zone: Li who will not be obeyed - Shanghai: The Shanghai Free Trade Zone's frustrating first year [J]. The economist,2014,413(TN.8908):31-

12/25/2018