
The Review of Individual Income Tax- Self-Undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining: A Perspective of Tax Equity

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The principle of tax equity is the most important principle for taxation system design and revision. However, it has tax preference based on consideration of tax collection and social policy. According to Article 14, Category 6 of Individual Income Tax- Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining, it regulates that the total income is the whole year's income after deduction of necessary expenses. Furthermore, the necessary expenses are 100% of revenue for whole year based on legal interpretation which is promulgated by Ministry of Finance. Then it has tax preference actually. Nevertheless, it is against principle of tax equity. We analyze formation and development of policy from the perspective of historical literature in this study. We find that it is not exemption on the Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining initially. Furthermore, it should have space to revise based on consideration of tax collection, social policy and shift of social economic structure. Hence, we propose that government should review that costs and expenses again in order to conform to tax equity.

Keywords: Tax Equity, Income of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining, Tax Collection.

Introduction

The Constitution of Article 19 regulates people shall have the duty of paying taxes in accordance with law. Furthermore, the Constitution of Article 7 regulates all citizens of the Republic of China, irrespective of sex, religion, race, class, or party affiliation, shall be equal before the law. Above all, it presents the principle of equity. However, the equity is necessary to consider cases' speciality; then it becomes the exception principle of equality. According to Justice Interpretation of No. 565, it thinks that where reasonable differential prescriptions are made by the state with respect to the imposition, reduction or exemption of taxes based on legally required elements or ordinances issued by administrative agencies upon specific and unequivocal authorization of law, with legitimate reasons, such prescriptions are not contrary to the principle of taxation by law and the principle of equity. Therefore, if it has reasonable reason, this exception conforms to principle of equity.

The income calculation of the Article 14, Category 6 of Individual Income Tax- Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining is that the whole year's income after deduction of necessary expenses. However, expenses are 100% of revenue for whole year based on interpretation which is promulgated by Ministry of Finance in recent 20 years. It is exemption actually. This method is against principle of tax equity. According to Justice Interpretation of No. 565, what is the definition of reasonable differential prescriptions? This is the important issue in this study. Furthermore, we also hope to realize that whether reasonable differential prescriptions still work in shift of social economic structure. If the answer is no, how to revise this law is another propose of this study.

To sum up, the research method is proper to adopt historical literature analysis in order to achieve study's purpose. We can realize the formation of policy and development of social economic background through review of historical literature. Furthermore, we adopt fiscal sociology to explain the shift of economy and society background during the timeline.

The Principle of Tax Equity

The principle of tax equality is important according to the Constitution of Article 7 which all citizens of the Republic of China, irrespective of sex, religion, race, class, or party affiliation, shall be equal before the law. Although the contents have arguments, the most important is equity of rights and responsibility for citizens. Moreover, it presents in Constitution of Article 19 to 21 which citizens have the response of paying tax, performing military service and education. Tsai (2009) thinks that common levies are the most meaningful national responsibility in recent country. Furthermore, it is the key to implement Constitution whether the burden conforms to principle of equality or not.

The equality principle in the public law is called the equity principle in the taxation principle which is one of taxation principles and is proposed by Adam Smith. It is also an important tax law principle of regulation, revision and explanation. Wang (2006) emphasizes that fairness is equality¹. The imposition of tax should emphasize its general. In other words, it cannot have any difference because of region and identity² (Wang, 2006:12). It emphasizes the general of taxation subject and the general of taxation object. The general of taxation subject describes previously. The general of taxation object does not have any difference due to happening reason of income³.

The equity principle plays an important role in tax collection. Moreover, it also achieves the general of taxation subject and the general of taxation object through the Substance over Form Principle. The Substance over Form Principle means that if the explanation of tax and the identification elements of taxation have difference on law of nominal, appearance and economic reality, it should examine on the side of substance instead of form; then it further becomes judgment of whether it shall be levied tax or not. The Justice Interpretation of No. 420 said that in relation to laws involving taxation, they should be construed in accordance with the principle of taxation by law and the respective purposes of the laws,

¹ Equally means that it permits the exception; then it can be called reasonable. For example, men, who are male and disability, do not need to perform military service.

² It means that all nationals have responsibility to be levied the tax.

³ According to beneficial principle and ability principle, we have tax burden when we have income. However, we need to take the degree of tax burden as a consideration as well.

balancing therewith the economic purposes and the principle of equality in substantive taxation. It shows the essential of equity principle.

The Meaning of Shift Economic Social Structure

The characteristic of fiscal sociology is based on Marx's dialectical materialism, pluralism and derived dual (McLure, 2005). It thinks that the society is viewed as organism basically according to analysis method. Furthermore, public finance is one part of the whole society and it adopts analysis of class (group) to discuss issue of public finance.

(i) Emphasis on the Whole Society is Organism and Public Finance is One Part of the Whole Society

Goldscheid views the fiscal procedure as the center of national activities and we explain fiscal problems through social and fiscal status of most households and their effect on the society (Goldscheid, 1967). In other words, contents of state budget can present the priority of resource distribution in the overall society. It further can detailed find every politic, economic and social problem in society from contents of state budget. Furthermore, the influence of different group (class) to every social perspective determines the resource distribution and the result of fiscal revenue and expenditures.

Pareto thinks that shift of economic and social equivalence will influence tax revenue, expenditure and public debt through shift of economy and society (McLure, 2005). It thinks that evaluation of fiscal phenomenon must connect to the equivalence of economy and society. The main research phenomenon of economics is equivalence of economy. The study of social equivalence belongs to applied economics which adopts description, empirical study and comprehension to do research. Thus, the main research phenomenon of theoretical sociology is social equivalence. Furthermore, fiscal phenomenon has relevance among fiscal events, economic equivalence and social equivalence.

Backhaus thinks that fiscal sociology is a policy which comprehends economy, public finance, society, laws and etc. It can do research for restraint and integration of economic including tax in different areas which have different history and culture. Take European Union as example.

European Union tries to let every committee own partial rights, integrate and lower tax burden during the process of integration about tax issue (Backhaus, 2002). Based on this viewpoint, Moore also thinks that fiscal problem shall focus on macro-historical paradigm which means that it considers shift of society, economy and politics (Moore, 2004: 3).

(ii) Fiscal Interest Group: Class (Group) Analysis

O'Connor thinks that the state budget distribution of public expenditures and tax revenue depends on social and economic confliction between different class and group based on Marx's traditional class confliction (O'Connor, 1973 : 2).

Schumpeter analyzes tax country through the complicated relation of development between demand and aggressive demand. It tends to emphasis on role of groups and interests during national strategy activity. Furthermore, the concept of aggressive demand is not simplicity. He considers the relation of social power in the group. Borgatta thinks that fiscal events are influenced by politic group. The interest of tax burden and public demand changes as different group and class. Borgatta adopts the relation among politic organization activity (controlled by small number of elites and competition elites), economic group (controlled by small number of elites and competition elites) and social publics to describe fiscal event (McLure, 2006). Musgrave emphasizes fiscal interest and costs have relation with group instead of class. For example, tax activity is influenced by income resource, habits, form of household expenditure and age (Musgrave, 1992).

Fiscal sociology emphasizes influence of shift economic social structure. In other words, the levying of Luxury Tax and re-levying of Capital Gain Tax all can describe the influence of tax system through shift of economic social structure. We thinks that whether it is conform to principle of tax equity based on the expenses of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining which is 100% of revenue for whole year nowadays in this study. Hence, we will describe the meaning of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining through shift of economic social structure in this study.

The Historical Literature Analysis of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining

(i) From taxation to Tax Preference of Exemption

We adopt search function of key word and type “Self-undertaking in Farming” through news database. Furthermore, we only focus the search area on China Times. We find 20 related information’s and the summarization in table 1. After we read this news one by one, we find that the cost expenses of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining is not 100% of revenue for whole year which means that it is not admission of exemption and it needs to levy tax. The news appeared that member of the legislative assembly suggested set a same standard because the calculation income standard of Self-undertaking in Farming seemed a little bit of high “until the date of 1979-05-02. Moreover, the news also appeared that the last year’s income of Self-undertaking in Farming viewed after deduction of necessary expenses which is 100% of revenue for whole year as a basis for this year’s income application” on the date of 1982-01-30. Then we can confirm that some of items are viewed as exemption.

Table 1: The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deducts standard expenses (China Times)

Date	News Summarization	Author
1960-02-28	Legislate the expenses standard of Self-undertaking in Farming income and Rent income after deduction of necessary expenses.	Central News, Chung Hsing Village, 27th
1960-03-16	The announcement standard of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry, Mining and rent income deducts of necessary expenses.	News
1962-02-04	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deducts standard expenses.	Taichung News

1968-03-15	The verification standard of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deducts expenses.	Chung Hsing Village, 14th
1969-02-14	Legislate the expenses standard of Self-undertaking in Farming income and Rent income after deduction of necessary expenses.	News
1970-02-03	The tax return of Self-undertaking in Farming income and Rent income is deduction of expenses standard.	Central News, Chung Hsing Village, 2nd
1971-01-23	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining and rent income deduct necessary expenses.	Chung Hsing Village, 22th
1974-02-14	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deduct expenses.	News
1976-02-06	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deduct expenses.	News
1978-01-11	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining and rent income deduct necessary expenses.	News
1978-01-21	The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deduct expenses.	Chung Hsing Village, 20th
1979-05-02	Member of the legislative assembly suggested set a standard because the calculation income standard of Self-undertaking in Farming seemed a little bit of high.	Wu Feng, 1st
1982-01-30	The applied basis income of Self-undertaking in Farming form last year are decided to deduct necessary 100% expenses.	News
1982-02-04	The income of Self-undertaking in Farming is verified as zero.	News

1983-01-15	The income of Self-undertaking in Farming for those peasants deducts expenses which is 100% of revenue for whole year and it can continuously own exemption.	News
1983-02-09	The taxable income shall be zero for those people who do Self-undertaking in Farming.	News
1984-12-11	The Self-undertaking in Farming deducts expenses which is 100% of revenue for whole year and it can continuously own exemption.	Taipei News
1985-11-28	The Income of Self-undertaking in Farming for peasants will continuously own exemption.	Taipei News
1986-12-14	It decided that income of Self-undertaking in Farming is continuous exemption in next year.	Taipei News
1993-01-12	Those who are doing Self-undertaking in Farming, Fishing and Animal Husbandry continuously sustain exemption.	Hui Hsien, Peng/Taipei

However, we cannot confirm the related development based on previous analysis. Furthermore, we further type the keyword of Self-undertaking in Farming on Google. Then it links to historical database of Taiwan Provincial Government and we clearly realize that shift of relations. It summarizes in table 2. The calculation of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining is early in 1956 in Taiwan Provincial Government. Its deduction necessary expenses are 35%, 65%, 74% and 48%. Then we can know that the revenue of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining is not exemption and proportion of tax income separately are 65%, 35%, 26% and 52% which are not low. However, its proportion of necessary cost expenses increases during 30 years; then it achieves 100% and forms the exemption (The announcement of No. 30708 by Ministry of Finance in January 9th, 1990). The formation phenomenon is that government finds loss for those diligent peasants and fishermen when government regulates standards of income

after deduction of necessary expenses about Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining in 1989.

Table 2: The Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining deducts standard expenses (Taiwan Provincial Government)

The Year of Taiwan Provincial Government Official	The Self-undertaking in Farming part of peasants	Fishery Harvest (Culture of Fish)	Livestock (Cattle, Horse, Pig and Sheep)	Forest Product (Coniferous Forest)
1956	35	65	74	48
1957	37	62	72	48
1962	46	65	76	62
1968	44	66	78	60
1969	47	65	78	60
1970	49	65	80	62
1971	70	66	82	61
1973	70	70	84	61
1974	70	71	86	62
1983	100	89	90	70
1988	100	93	100	75
1989	100	100	100	100

(ii) Do those diligent peasants and fishermen have loss nowadays?

We think that it has less people to do Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining over the 30 years. Moreover, the revenue of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining can be a way of being rich as the technology progress. In other words, we think that factors of exemption, which are considered in that moment, do not exist anymore. We find interest pieces of article on the Internet which can prove our viewpoint in this study.

Is it true that it does not need to pay tax for those high quality agricultural products which are planted and sold by ourselves?

The following words are summarized form Yahoo’s knowledge. We know that it is not in a small amount to use such way to earn income based

on description. The reason is that industry information will exchange with each other; then other people will follow it. Thus, it is necessary to do some adjustment from perspective of tax equity. Moreover, people who do not need to own identity of farmers and fishermen, can own tax preference of exemption.

I want to ask that one of my friends plants melons, which are planted in greenhouse, but his identity does not belong to peasant. He rents a land, which is about 23.97 to 28.76 acre every year, to plant from landowner. Then he packs those melons into the boxes and sells in the stand in vegetable and fruit market by his own after harvesting (In other words, he plants and sells melons by his own).

I know that if he can harvest melons successfully, he can earn about 8 million to 12 million. Moreover, the net value can achieve 3 to 6 million after he cuts rent, seed, pesticide, fertilizer, boxes, labors' expenses, loss of typhoon, and loss of insect pest.

He has planted melons for almost 20 years. He owns 2 houses, 3 departments, 3 cars and 2 trucks in property. Moreover, his saving is about 20 to 30 million. However, I find that he only pays Property tax, Motor Fuel Tax, Vehicle License Tax. He does not pay Individual Income Tax and Enterprise Income Tax.

I want to ask those who understand Tax Law. Doesn't he need to pay Individual Income Tax? He owns higher salaries in one year than common employees but his identity does not belong to peasant. He just plants, harvests and sells by his own.

I just think that if it really does not need to pay Individual Income Tax, I really want to give up my current job which is boring and fixed salaries. Then I will change my job to plant melons that are high quality agriculture products.

(iii) Does it need to pay tax when I sell tea?

The government announced Article 8, item 1-19 of Value-added and Non-Value-added that the agricultural, forestry, fishing and livestock products, and by-products of farmers' and fishermen's harvests sold by farmers and fishermen are exemption in order to protect basic agricultural policy, sustain farmers' profits and promote agricultural economic development in January 16th, 2008. It implemented in March 1st, 2008. Furthermore, if farmers and

fishermen only sell his/her products which are planted and caught by themselves, it does not need to do business registration as well.

If tea growers sell tea which is unseasoned and unroasted, he/she is exemption from Value-added Tax before regulation is revised. The reason is that tea belongs to agricultural, forestry, fishing and livestock products, and by-products which is unprocessed according to No. 841607538 Interpretation on February 23th, 1995. Furthermore, if peasants sell tea which is seasoned and roasted, he/she needs to do business registration and pay Value-added Tax because those products belong to processed products. However, if peasants sell tea which is harvested by his/her own, he/she is suitable for revision regulation which is exemption from Value-added Tax no matter tea is seasoned or roasted or not after March 1st, 2008.

Peasants sell those dried and roasted tea is exemption of tax based on the condition of tea that is harvested by peasants themselves. However, if sellers are not tea growers, he/she is not suitable for regulation of exemption. Moreover, if those sellers, who are tea growers, sell tea which is not harvested by them, he/she are not suitable for regulation as well. Therefore, he/she needs to do business registration and pay Value-added Tax.

Conclusion

What is the reasonable differential prescription about tax preference of Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining which income is after deduction of necessary expenses and its expenses is 100% of revenue? Government finds loss for those diligent peasants and fishermen when government regulates standards of income after deduction of necessary expenses about Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining in 1990 in this study.

We want to discuss the issue that whether the reasonable differential prescription for this preference, which has existed for over 10 years, still exists based on shift of economic social structure in this study. The answer is no. Hence, we think that we shall revise Self-undertaking in Farming, Fishing, Animal Husbandry, Forestry and Mining about income after deduction of necessary expenses and 100% of revenue of expenses. Then it can confirm to The Constitution of Article 19 that people shall have

the duty of paying taxes in accordance with law. It further practices ideal of equality principle.

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