

# Analysis on the Influence of Tax Reduction and Fee Reduction Policies on Digital Development Level of Enterprises Based on AHP-DEMATEL

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## ABSTRACT

Since structural tax cuts were first incorporated into active fiscal policy in 2008, various tax breaks have been introduced. Based on the detailed enumeration of tax reduction policy measures, this study constructs an evaluation index system for the level of digital development of enterprises in terms of strategy implementation, operation status, technology level, and quality management. Then DEMATEL hierarchical analysis method and big data analysis method are used to analyse and determine the comprehensive influence degree of each index. Finally, this paper analyses the benefits and convenience brought by tax reduction and fee reduction to the digital development of enterprises and puts forward countermeasures and suggestions for the development of digital transformation of enterprises in the context of tax reduction and fee reduction. This study aims to put forward relevant countermeasures for enterprises to enhance their digital transformation and development capabilities.

## KEYWORDS

AHP, Algorithm, Data Analysis, DEMATEL, Digital Development, Target Decision-Making, TR-FR

Facing a complex and volatile economic situation has gradually accelerated the implementation of Tax and expense reduction (TR-FR) policies in China in order to further stimulate market vitality and promote high-quality economic development (Li & Yang, 2021). According to statistics, during the 13th Five-Year Plan period (2016-2020), TR-FR have increased by more than 7.6 trillion yuan (Xu & Wei, 2021). Tax cuts and fee cuts increased by 4.86 trillion yuan between 2019 and 2020, accounting for 2.4% of GDP in the same period (Beghin et al., 2003). TR-FR policies played a positive role in easing downward pressure on the economy, stabilizing enterprises and ensuring employment (Zhong & Zhao, 2020). China will continue to maintain the continuity and stability of macroeconomic policies and continue to push forward the policy of tax and fee cuts in 2022 (Rao et al., 2023). Therefore, on the basis of analyzing and evaluating the effects of TR-FR in the early stage, it is undoubtedly of profound practical significance to actively explore feasible ways to promote the deeper release of policy dividends (Yang, 2023).

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In 2008, the US subprime crisis seriously disrupted the world economic order (Baldwin, 2008). The global economy, trade, and growth have all declined, and a sustained and healthy economy has also been impacted in China (Sager, 2011). In response to changes in the international situation and to relieve pressure from market players, structural tax reduction was included in the proactive fiscal policy for the first time, thus officially kicking off China's TR-FR policies (Guo & Shi, 2021). Since then, China has implemented a series of policies and measures to reduce taxes on major taxes, as well as taxes and fees such as "six taxes and two fees," administrative charges, and social insurance premiums (Ahrens & Ferry, 2020). Based on different policy objectives, this paper divides these policy measures into four types: stimulating TR-FR, relief TR-FR, universal TR-FR, and institutional optimization TR-FR. The details of these four policies are as follows.

- (1) Stimulating TR-FR: Aims to guide the change of industrial structure and market supply and demand through tax policy adjustment (Tong & Rahman, 2022), thus achieve the goal of encouraging innovation, supporting investment, and stabilizing employment (Mgammal, 2020). Since 2008, China has introduced a number of tax exemptions and preferential policies. These policies mainly promote the in-depth implementation of the strategy of western development from the perspectives of promoting investment and expanding consumption (Qiang, 2021).
- (2) Relief TR-FR: Mainly refers to tax relief measures provided to taxpayers in the process of production and operation due to temporary difficulties caused by changes in the external and objective environment (Zheng & Zhang, 2021). In response to the devastating impact of the Wenchuan earthquake in 2008 and the COVID-19 epidemic in 2020 on the normal operation of enterprises in some regions of China, the state granted periodic reductions in VAT and income tax to some areas severely affected by earthquakes (Gobey & Matikonis, 2021), including Sichuan Province, and areas severely affected by COVID-19, including Hubei Province. With these efforts, the state strongly promoted the rapid restoration of local economies and the steady restoration of order (Kim & Park, 2021).
- (3) Universal TR-FR: Mainly refers to the tax reduction and exemption that the state implemented across society through preferential tax policies covering a wide range of areas (Seip, 2019). Faced with the pressure of global economic slowdown and the complex situation of increasing uncertainties in the pattern of world economic development, China introduced a wide range of TR-FR measures in 2019. From adjusting social security rates to abolishing or suspending a number of administrative charges, from raising the VAT threshold and extending the scope for halving corporate income tax to rolling out preferential policies for tax and fee reductions on a large scale, the inclusive nature of these policies has become more evident, and market entities have a stronger sense of gain (Gillman, 2021).
- (4) Institutional optimization TR-FR: Mainly carried out by adjusting the structure of the tax system to coordinate tax cuts and fee cuts by improving the tax system. In essence, it is an overall and drastic TR-FR. Since 2008, China has carried out a number of tax reforms, including merging domestic and foreign enterprise income tax, expanding the scope of VAT, and transforming individual income tax. The VAT tax rebate is also adjusted from the previous temporary policy measures to long-term institutional arrangements. The adjustment of these systems has optimized the structure of China's tax system and has extended the effect of system reform into TR-FR success.

The digital transformation and development of enterprises need to be supported by a healthy and orderly market environment. In this process, on the premise of not interfering too much in the operation order of the market economy, the government has introduced various TR-FR policies, which have multiple benefits. First, the most obvious result of TR-FR is to increase the disposable income of enterprises and provide a financial guarantee for enterprises to expand reproduction. Second, TR-FR can provide a good policy environment for enterprises to realize digital transformation and

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