

# Research on the Fiscal and Tax Subsidy System of Family Birth in China under the Background of Three Children

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**Abstract:** With the rapid development of China's socialist market economy, the trend of population aging is obvious, the "three children policy" is timely introduced, and the problem of resident fertility has risen to the level of national strategy. In 2021, the state actively implemented the "three-child" policy, which provided institutional guidance for solving the problem of population aging. In this context, how China should give full play to the economic leverage effect of fiscal and tax law, and guide and encourage the masses to respond to the national call to give birth to three children by economic means, is a very meaningful realistic topic. To study the optimization of the "fertility friendly" fiscal and tax subsidy policy, explore the optimization of the population structure, timely solve the practical problems for the stable development of the population, the fiscal and tax subsidy policy provides corresponding positive supporting measures to encourage fertility. It establishes the policy, delay and reverse the trend of low population growth of China, and facilitate the implementation of the "comprehensive three child" policy. Current our country to encourage fertility fiscal subsidy policy lack of stable source of income, encourage family fertility fiscal subsidy policy function object is not extensive, encourage family fertility fiscal subsidy policy each link imbalance, encourage family fertility tax single, personal income tax lack of family declaration unit, can through to encourage birth to provide adequate subsidies support, in the family for the tax collection, the implementation of differentiated tax incentive rules to change the current situation. Therefore, from the perspective of fiscal and tax law, it is of certain practical significance to improve the fertility incentive mechanism to stimulate the recovery of fertility rate.

**Keywords:** Financial Subsidy; Three Children Background; Tax Incentive.

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## 1. Introduction

The defects of the fiscal and tax subsidy system at the current stage weaken its effect of promoting fertility, and it is difficult to effectively improve the family fertility willingness. In the face of the negative population growth crisis, it is inevitable to relieve the economic pressure of family fertility by formulating fiscal and tax subsidy policies that are more in line with the current social situation, and the analysis of its theoretical logic is a necessary premise.

The principle of quantitative taxation and the role of fiscal and tax law in encouraging family fertility. The principle of quantitative taxation refers to the collection of differentiated tax on taxpayers according to their different tax affordability, so as to realize the fair distribution of tax burden among taxpayers. As the basic principle of tax law, the principle of quantitative taxation is the embodiment of the principle of common social responsibility and the principle of equality in the tax law, with two vertical and horizontal dimensions [1]. The principle of quantitative taxation adjusts the relationship between the government and taxpayers, and emphasizes moderate taxation, that is, the government only taxes the part of the taxpayer's income that has the ability to tax burden. In the process of promoting fertility by the country, the principle of quantity and energy taxation can reduce the economic burden of family parenting by restricting the right of national tax and the protection of taxpayers' fertility economic space, so as to improve the fertility willingness of residents and solve the problem of negative population growth.

The incentive function of the tax law is consistent with the demand for the expansion of fiscal and tax subsidies. The theory of legal incentive refers to the use of its incentive

function to promote and encourage the subject behavior based on the contract form and legal compliance. Incentive law has also been discussed by foreign scholars. Bentham believes that the law encourages people to strive for more wealth by creating drivers, namely punishment and reward. The law guides people to implement the behavior in accordance with the expectation of the legislator by increasing the income and reducing the cost of the doer, so as to realize the regulation of the legal behavior. In the process of promoting fertility in the country, the incentive function of law mainly forms a certain profit induction mechanism by combining the incentive of increasing income and reducing cost, so that citizens can make reasonable expectations of their fertility behavior, and then realize the promotion of citizens' fertility behavior.

Coordination of legal tax principles and the demand for the expansion of fiscal and tax subsidies. The legal principle of tax revenue is the basic principle of tax law commonly used in modern countries. It refers to that the elements of tax law and the rights (force), obligations and responsibilities of the subject of tax collection and payment should be based on legal norms [2]. If there is no legal basis, any subject has no right to collect, reduce or exempt taxes, which can effectively limit the power of the tax authority and protect the interests of taxpayers. The principle of legal taxation includes two aspects: formal taxation and substantive taxation. The former requires that the relevant tax system meet the requirements of the law, while the latter includes the connotation of tax fairness and protection of the right to survival. The mutual cooperation of the principle of tax law provides the "compass" for the operation of tax law. In the process of promoting fertility by the country, the principle of legal taxation requires that the fiscal and tax subsidy system should not only meet the formal

requirements of the law, but also fully consider the family tax affordability, so as to provide legislative guarantee for the fiscal and tax law to play the role of guaranteeing family fertility, reducing the tax burden and improving the welfare level.

## **2. Organization of the Text**

### **2.1. Introduction to Financial and Tax Subsidy Policies Encouraging Fertility Outside the Territory**

#### **2.1.1. Korea**

According to relevant data, South Korea's total fertility rate fell to 0.78 in 2022, less than half of that of OECD member countries, which is also the lowest level globally. South Korea is facing the long-term impact of ultra-low fertility rates, and even faced a crisis of negative population growth in 2021. This has forced South Korea to increase support and encouragement for public fertility, and has successively formulated a series of fiscal subsidies and tax policies. The subsidy covers stages such as pregnancy and childbirth, childbirth, and childcare. The specific policies are as follows: firstly, the subsidy for pregnancy and childbirth, where the government provides corresponding subsidies for the cost of prenatal examinations for pregnant women and the cost of vaccination for newborns; The second is childcare allowance. South Korea's child welfare fund will provide care allowance to families raising children under 6 years old. Children under 1 year old, 1 to 2 years old, and 2 to 6 years old can receive monthly subsidies of 200000 Korean won, 150000 Korean won, and 100000 Korean won, respectively. If a child attends a daycare or preschool during this period, a monthly childcare service voucher will be issued, and the subsidy amount will vary depending on the child's age, type of daycare, and level. According to the relevant plans of the South Korean government, a strong maternity subsidy policy will be further introduced in 2022. Firstly, a monthly maternity reward subsidy of 300000 Korean won will be provided to families giving birth to newborns, for a total of 12 months; Secondly, a one-time maternity subsidy reward of 2 million Korean won will be provided to expectant parents; Once again, a 3+3 parental leave system will be introduced, during which both spouses can apply for approximately three months of parental leave for their children. As a result, each spouse can receive a maximum of 3 million Korean won per month in parental allowance subsidies; Finally, it is necessary to pay the college tuition fees for low-income families with three or more children.

In addition, South Korea has further improved its policy tool library to encourage childbirth by designing tax policies such as child education and upbringing tax credits, and pre tax deductions for corporate labor costs. In terms of tax credit policies for children's education and upbringing, South Korea has set up a tax credit item for taxpayers' children's education expenses, covering the period from preschool to university education, and enjoying a 15% tax credit for actual tuition expenses. The credit limit for the period from preschool to high school is 3 million Korean won, and the credit limit for the university stage is 9 million Korean won. In the graduate stage, only the children themselves are allowed to enjoy the credit benefits. Parenting credit refers to taxpayers with children aged 7 and above who enjoy a tax credit of 150000 Korean won for raising one child and 300000 Korean won for raising two children and above. In addition, taxpayers who

gave birth or adopted children in the same year can enjoy tax credits of 300000 Korean won, 500000 Korean won, and 700000 Korean won for their first, second, and third children respectively in the year of birth or adoption. In terms of the pre tax deduction policy for labor costs in enterprises, in order to encourage employment, support the implementation of government parental leave, and reduce the pressure on labor cost expenditures, the South Korean government stipulates that for small and medium-sized enterprises, if an employee returns to work after taking parental leave for more than 6 months, the enterprise can enjoy one year of benefits.

#### **2.1.2. France**

Against the backdrop of generally low fertility rates in developed economies around the world, France's total fertility rate has been maintained at around 2.0 for many years, achieving remarkable results in encouraging fertility practices. The reason for this is attributed to the French government's rich, collaborative, timely, and effective maternity friendly financial and tax policies. Among them, France has established numerous subsidy measures to support family childbirth, including maternity subsidies, maternity subsidies, parenting subsidies, education subsidies, and other categories. Through cash subsidies, it has brought a visual sense of gain to families. The fiscal subsidy policy implemented in France is as follows: (1) Subsidies for maternity expenses. The medical expenses, examination fees, and hospitalization expenses incurred by pregnant women between four months before the due date and two weeks after delivery shall be fully borne by the French Disease Treasury. (2) Maternity subsidies. For families with newborns, the French government will provide a one-time maternity subsidy in cash, with the subsidy amount varying depending on income, number of children, and other factors. (3) Parenting subsidies. The subsidy is targeted at families with children under the age of 3, and provides a certain amount of cash subsidy for infant and toddler rearing, but only for a maximum of three years. In addition, France has established a one-year parental leave, and couples who have applied for parental leave can receive a monthly allowance of 396 euros from the French Family Allowance Bureau. In addition, considering that parents may lose their jobs due to taking care of their children, the government will provide childcare sharing subsidies to families who lose their sources of income as a result, helping them overcome difficulties. (4) Family subsidies. For families with two or more children under the age of 20, the government will provide cash subsidies in different proportions based on family income and the number of children. The more children and the closer they are to 20, the more subsidies they will receive. In addition, the government also provides supplementary subsidies to low-income families raising three or more children aged 3-21, with the amount varying depending on the number of children and whether they are single parents. (5) Education subsidies. This policy is aimed at low-income families, providing new school year enrollment subsidies for children aged 6-18 who are currently receiving education. The subsidy amount depends on the number of children and their income situation. In addition, the French government has formulated detailed subsidy policies for vulnerable families, providing additional support to single parent families and families with disabled children, so that vulnerable families can enjoy more care.

It can be seen that the current subsidy policy in France not only focuses on comprehensive coverage of childbirth, parenting, and education, but also fully considers factors such

as different family incomes, the number of children, and whether they are single parents in policy formulation, reflecting the fairness of policy implementation. In addition to implementing such generous subsidy policies, the French government has also made full use of tax policies to support family childbirth, mainly reflected in the design of personal income tax, pre tax deductions, and tax credits. (1) Tax exemption policy for subsidies for upbringing and education. The subsidies issued by the French government cover multiple aspects such as pregnancy, childbirth, upbringing, and education. There are different forms of subsidies, including maternity allowance, family allowance, childcare allowance, maternity leave allowance, and return to school allowance. According to the regulations of French personal income tax, families who give birth to children can obtain the above-mentioned subsidies and their income can be exempted from individual income tax declaration. (2) Calculate personal income tax using the family coefficient method. Personal income tax in France is declared on a household basis, which first calculates the household tax coefficient based on the number of households, and then divides the annual taxable income of the household by the household tax coefficient to obtain the taxable income per unit. Next, calculate the corresponding tax rate based on the applicable tax rate corresponding to each unit of taxable income the taxable amount is then multiplied by the household tax coefficient to obtain the taxable amount that the household needs to pay. (3) Deduction and deduction policies for child rearing expenses. One is the pre tax deduction of early childhood care expenses. French couples who send their children under the age of 6 to childcare institutions can deduct 50% of the actual expenses, but the deduction amount for each child is set at 1150 euros. In addition, the expenses for purchasing household services to take care of children are also deducted 50% of the actual expenses, but the limit is 7500 euros; The second is the pre tax deduction of adult child support expenses. Firstly, adult children living with their parents can enjoy a pre tax deduction of 3542 euros per person per year. If the child is married or has a partner, the deduction amount will be doubled. Secondly, adult children who do not live with their parents can have their child support deducted, with a maximum limit of 5959 euros. For adult children raised by single parents who are unmarried but have children, they can enjoy a maximum pre tax deduction of 11918 euros; There are also cases where child support can be fully deducted. When parents divorce or separate, the child support paid by the party without custody of the children can be fully deducted before tax; The third is the deduction of personal income tax on children's education expenses. For children who receive junior high school education, high school education, and higher education in public or private schools, they can receive monthly deductions of 61 euros, 153 euros, and 183 euros per person, respectively.

### 2.1.3. Russia

In 2021, Russia's total fertility rate was 1.5, although it decreased by 15.7% from its peak six years ago. However, overall, the lowest level of Russia's total fertility rate was in 1999, only 1.16, indicating that Russia has achieved good results in dealing with low fertility and declining birth rates in the past two decades. In fact, as early as the Soviet era, the government introduced the "Measures to Strengthen State Support for Families Raising Children" and formulated detailed policies based on it. After the dissolution of the Soviet Union, Russia introduced the "Federal Law on

Providing State Subsidies to Citizens Raising Children" in 1995, providing a legal basis for the implementation of the maternity subsidy mechanism in the future. To encourage childbirth, the Russian government has successively formulated a complete range of financial and tax policies with rich content. The fiscal subsidy policies implemented cover various stages such as pre pregnancy, childbirth, and post pregnancy, including early pregnancy subsidies, maternity service subsidies, one-time childbirth subsidies, maternal funds, and parenting subsidies. Specifically, the first is early pregnancy subsidies. Women who are eligible to receive maternity subsidies can register at medical institutions within 12 weeks of pregnancy and receive the subsidy. The amount will be adjusted exponentially based on inflation. The second is maternity service subsidies. In order to improve the health level of mother and baby, the government will provide prenatal consultation, delivery room delivery, and postpartum examination services to pregnant and postpartum women in the form of issuing birth certificates, and provide a certain amount of cost bearing subsidies. The third is a one-time maternity subsidy. The one-time maternity subsidy is available to all women who give birth, and the amount of the subsidy accumulates as the number of children born increases. In addition, adopting children and giving birth to children enjoy the same amount of subsidy. The fourth is the Mother's Fund. The main purpose of establishing the fund is to compensate for specific expenses incurred by families in improving housing, children's education, healthcare, and other related areas. Since its establishment in 2007, its distribution targets have expanded from families that originally gave birth or adopted two or more children to families that gave birth to one child, gradually tilting towards low-income families. The amount has been adjusted from 250000 rubles to 610000 rubles today, and is increasing exponentially every year.

The fifth is childcare subsidies. For mothers who take leave to care for their children under the age of 1.5, they can receive a subsidy equivalent to 40% of their average salary for the 24 months before the leave. For mothers who continue to take leave to take care of their children aged 1.5 to 3, the government will provide a monthly subsidy of approximately 10000 rubles. In addition, the Russian government also provides first child subsidies to low-income families who give birth to one child until the child reaches the age of 18. Some federal entities also implement monthly subsidies for families with three or more children, aiming to increase fertility rates in areas with severe population situations. In terms of tax policies, the main focus is on pre tax deductions for children's education and support expenses. According to Russian tax laws, families with an annual income of less than 350000 rubles can deduct education expenses for children under the age of 24, but the deduction limit is 50000 rubles; In terms of child support deductions, families with two children can deduct 1400 rubles per child per year, and families with three children can deduct 3000 rubles per child per year, if there are disabled children, the deduction amount will be increased to 12000 rubles.

## 2.2. Problems Existing in the Current Financial Subsidy Policy of Encouraging Family Childbearing in China

### 2.2.1. Financial Subsidy Policies to Encourage Family Childbearing Lack a Stable Source of Income

The first is the lack of a fiscal policy to encourage

childbearing for a stable source of income. At present, our country in encourage birth fiscal policy adopted mainly for fiscal subsidies, and part for the fiscal investment and government purchase, these as the fiscal policy spending tools, will be with the ground and policy, bring great pressure to financial funds, and the lack of stable income items to encourage fertility project spending, will further increase the uncertainty of fiscal funds use. Therefore, in the process of considering the implementation of the expenditure end policy, we should also pay attention to the financial support of the income end to ensure the smooth and smooth implementation of the encouraging fertility policy. Secondly, the implementation of the fiscal policy in each link reflects the imbalance and inadequacy. After combing the fiscal policy, can be found policy mainly focused on parenting and education link, for housing and other supporting support link also involved, but in the birth link policy less, and mostly in the form of government purchase, only a handful of cities and implement the one-time birth subsidy policy. The policy of the birth link is not strong, and there is a lack of detailed rules for implementing the birth incentive mechanism for individuals and families, which leads to the absence of the policy of this link, the effect will be greatly reduced, and then can not connect with other links to play a role together. It can be seen that the actual policy formulation is lacking, which also brings opportunities to further solve the problem of unbalanced and inadequate policies.

### **2.2.2. The Financial Subsidy Policy to Encourage Family Childbearing is not Widely Targeted**

Thirdly, the policy function target is not extensive, the policy forms are relatively concentrated, and the multi-directional encouragement mechanism has not been formed. For example, there is a lack of birth rewards for individuals and families in the childbirth process, and a lack of subsidy policies for maternal and infant products manufacturers in the parenting process, etc. The existing policies only play a role for some objects, but this is far from promoting the long-term balanced and stable development of all subjects in the field of childbirth, parenting and education. In addition, the policy forms adopted to encourage childbirth are mainly financial subsidies, and the use of financial investment and government purchase and other means is less, which is not conducive to the establishment of a comprehensive and diversified fiscal policy encouragement mechanism. Finally, the fiscal policy system of different provinces is different, and the local implementation is slow. Although the policies of different provinces are formulated in accordance with the "decision" on the whole, the implementation of specific policies in different regions is different due to the financial inconsistency of financial conditions in different provinces. Different support policies can be allowed in different regions, but each region should try to ensure that the policy system covers fertility, parenting, education and other links, and actively learn and summarize the excellent policies implemented by other regions and learn from local policy formulation. In addition, although the provinces at the provincial level drafted the implementation plan, but only a few cities really in place, the vast majority of cities have not even drafted the implementation of the region, this will seriously affect the nationwide encourage birth policy implementation synchronization, thus the incentive effect of fertility will not achieve scale.

### **2.2.3. The Financial Subsidy Policy to Encourage Family Childbearing is Unbalanced**

Finally, the implementation of fiscal policies in each link reflects the imbalance and inadequacy. After combing the fiscal policy, can be found policy mainly focused on parenting and education link, for housing and other supporting support link also involved, but in the birth link policy less, and mostly in the form of government purchase, only a handful of cities and implement the one-time birth subsidy policy. The policy of the birth link is not strong, and there is a lack of detailed rules for implementing the birth incentive mechanism for individuals and families, which leads to the absence of the policy of this link, the effect will be greatly reduced, and then can not connect with other links to play a role together. It can be seen that the actual policy formulation is lacking, which also brings opportunities to further solve the problem of unbalanced and inadequate policies.

## **2.3. Problems Existing in the Current Tax Policy to Encourage Family Childbearing in China**

### **2.3.1. The Tax to Encourage Family Childbearing is Single**

From the perspective of policy distribution, the current tax support policy mainly involves individual income tax, value-added tax, enterprise income tax, deed tax, property tax and urban land use tax, accounting only for one-third of China's 18 taxes. In addition, the main contents of the current tax support policy involve 6 items of individual income tax, 3 items of value-added tax, 2 items of enterprise income tax, and other small taxes include deed tax, property tax, urban land use tax and vehicle and vessel tax. That is to say, 35% of the policy items are concentrated in individual income tax. From the perspective of the synchronization with the current national fertility policy, half of the main support of individual income tax policy is newly introduced after the adjustment of the national fertility policy, with the highest synchronization with the national population strategy; of the rest of VAT, enterprise income tax, deed tax, property tax and urban land use tax support policy, 4 are issued after the adjustment of the national fertility policy, but all come from the same policy document.

### **2.3.2. Lack of Family Declaration Units in the Collection of Individual Income Tax**

In China's current individual income tax collection system, taxpayers can only make tax returns by individuals, and there is no other declaration units to choose from. In 2018, China revised the Individual Income Tax Law, with adjustments to both the personal income tax threshold and special deduction items. The threshold has been raised from 3,500 yuan to 5,000 yuan, and deductions for children's education and medical treatment for serious diseases have also been added. These changes in the tax system to some extent released a signal of fertility friendliness, making the tax burden of families significantly reduced. But in the aspect of tax declaration units, the new "individual income tax law" still follows the old system, adhere to a single, individual tax declaration units, and did not put the academic community has long called for the family units also included in the declaration units. The individualized declaration mode makes taxpayers' own family conditions unable to be fully considered when the system is applied, and there is no choice but to levy income tax based on personal income, which is not conducive to the preferential

tax measures for families to play the due effect of encouraging children. Behind every citizen is a family, and China's various social activities are taking the family as the basic unit of activities. Family is the smallest cell of society. Citizens deepen the interests between them by forming a family, and resist unpredictable risks in society by sharing property and combining behavior. It can be said that family is a small but complete economy. At the same time, because the family property is often confused and difficult to distinguish, so the income status of the family can fully reflect the tax payment ability of the tax payment unit more than the individual economic situation. In terms of encouraging fertility, the lack of family tax declaration units is not conducive to the provisions of fertility incentive in the individual income tax system.

First of all, the lack of family declaration unit is not conducive to the formation of the family, that is, it does not promote the marriage. The essence of the family is to make the two independent individuals connected in the identity and property through the marriage system under the legal authorization and protection, to form a community of interests of mutual support and care for each other, jointly enjoy the benefits obtained by the family, and jointly resist the unknown risks in the society. The stability of the family is not only conducive to the development of individuals, but also conducive to the stability and harmony of the life order. Since the connection of family members is so close, it is necessary to further recognize and consolidate the tax law. However, China's current individual income tax system lacks family declaration units, so in family members cannot combine tax, and one party without income or low income cannot reduce the individual income tax burden of the other party. The individualized tax declaration mode makes whether to form a family has nothing to do with tax incentives, and cannot form a positive incentive for marriage, so the fertility will naturally cannot rise.

Secondly, the lack of family declaration units in the individual income tax system is not conducive to the realization of the fair family tax burden. The individual tax payment unit separates the individual from the family, cannot fully consider the overall economic situation of the family, and cannot accurately measure the actual tax burden ability of the individual taxpayer, which does not conform to the principle of tax burden fairness. The actual living burden of a family without children and without supporting the elderly and a family that needs to raise its children and support the elderly must be very different. Moreover, in many families, one spouse is a full-time housewife or a husband who does not work. Taking individual income as a unit of personal income tax calculation, for this kind of family, the tax burden is obviously heavy. For example, in A, only one person works in his family, with A monthly income of 9,000 yuan. Family B has both jobs and a monthly income of 4,500 thousand yuan. China's current tax law stipulates that the individual income tax threshold is 5,000 yuan. Two families have the same income, family B no taxes, but family A still have to pay taxes, which is obviously unreasonable. Do not treat family as a family tax units, it is difficult to measure the overall burden of the family on the whole, so it cannot be targeted to the reproductive family take on the tax breaks.

Third, the lack of family declaration units in the individual income tax system is not conducive to the implementation of preferential tax policies for some fertility incentives. Take the deduction of children's medical expenses as an example,

although the tax law stipulates the deduction amount between 15,000 yuan and 800,000 yuan per child, the medical expenses of multiple children can only be calculated separately, not accumulated, which is very bad for multi-child families. This could lead to an injustice in the deduction standards. For example, family A has three sick children, and the medical expenses are 5,000 yuan, 8,000 yuan and 10,000 yuan respectively in that year RMB, a total of 23,000 yuan, but because the expenses of each child have not reached the minimum deduction amount, so the deduction item cannot be applied. By contrast, family B is an only-child family, with an annual medical expenditure of 23,000Yuan, according to the existing provisions can be deducted 8,000 yuan before tax. The same medical expenses are applied to two families. However, the deduction treatment is very different, and the burden of A families with multiple children is heavier, which is obviously not in line with the principle of tax fairness, and is not conducive to encouraging families to bear and raise multiple children.

In recent years, China is in the transition period of adjusting the direction of economic development, the pace of economic growth slowing down, but the price level has not decreased significantly, people generally feel a certain economic pressure. But for couples who have already started a family, their income often adds up to their daily expenses mortgage, car loan, supporting the elderly and other expenditures, facing a lot of economic pressure. In this realistic pressure step, with the push and poor future expectations, many families consider the high birth costs that they cannot afford, often they don't put having children on the trip. Therefore, if the tax law does not change in the tax method, families are also included in tax filing units, and families are implemented as a whole the function of stimulating fertility is difficult to be fully developed.

### **2.3.3. The Special Additional Deduction System for Individual Income Tax is Unreasonable**

At present, China's individual income tax special additional deduction system is not reasonable, a total of 7 specific deductions [3]. Among them, the deduction items directly related or indirectly related to fertility play a certain positive role in reducing the cost of family child-rearing and encouraging families to make fertility decisions. However, according to the current system design and practice, there are still some unreasonable points in the current special additional deduction system of maternity incentive tax in China. These seemingly small problems and defects need to be further optimized and improved, otherwise, they may become adverse factors that restrict and hinder the fertility incentive function of individual income tax, and ultimately affect the implementation and implementation of the overall fertility incentive mechanism.

First, the deduction standard does not consider the family structure. A single-parent family with only one foster parent is clearly under higher financial pressure than a two-parent family. However, the current individual income tax deduction system does not reflect the special consideration for the unusual family structure of single-parent families. There are generally two reasons for single-parent families, one is divorce, the other is widowed. According to the communique, China's marriage rate increased from 8.3 ‰ in 2016. It dropped to 5.8 ‰ in 2020, and the divorce rate increased from 3.0 ‰ in 2016 to 3.1 ‰. In the case of divorce, although the law stipulates that the party without custody still has to pay the monthly maintenance fee, the party who raises the

children alone obviously needs to bear higher parenting costs. In the death of a spouse, the supporting spouse loses the support of the former spouse. However, the current individual income tax deduction system does not reasonably consider the differences in the family economic burden caused by the problems of single-parent families. The unified deduction standard cannot reflect the preferential care for this kind of families, nor does it meet the requirements of tax fairness.

Second, the deduction standard does not consider the number of family children. Depending on the number of children, the parenting costs and economic pressures of families are completely different [4]. Moreover, it should be pointed out that although the cost of the number of children for the family will increase accordingly, the cost of family care is not a simple proportional relationship to the number of children. When time, money, energy, labor and other costs are included, the parenting burden of multi-child families is obviously much heavier 50 percent than that of one-child families. In addition, multi-child families will also affect the family labor income, significantly inhibit the increase of family income. Ordinary working families are generally unable to pay for professional childcare services. In the case of a second or a third child, one of the couple may choose to suspend work to take care of infants, making the financial burden of the family even heavier. Empirical studies also proved that having a second child will bring "income punishment" to the family, the negative effect is much greater than having a first child [5]. Therefore, the current deduction standard does not consider the number of family children, unable to provide effective compensation or support to families raising multiple children, resulting in actually unfair tax burden.

## **2.4. Under the Background of Three Children, The Fiscal and Tax Subsidy System of Family Birth Can be Improved**

### **2.4.1. To Provide Sufficient Financial Subsidies to Encourage Childbirth**

To provide sufficient financial support for encourage childbirth, it can be seen that whether it is financial subsidies, financial investment or government purchase, they are all fiscal policies at the expenditure end. These measures will consume a large amount of financial funds. If there is no sufficient financial support, it may lead to poor policy effect.

Therefore, we can raise relevant funds from the two aspects of issuing bonds and collecting administrative institutional fees. In terms of bond issuance, the scale of bond issuance should be determined according to the expenditure spent in the current year to encourage fertility. It is suggested that the medium-and long-term special bonds to encourage fertility at the national level should be the main issue, and the income from bond issuance should be transferred to the local finance, and the local government should plan the implementation of the policy of encouraging fertility. In addition, local governments can also issue local special bonds to encourage childbirth according to the provincial economic development situation and debt repayment capacity, and the income obtained can be used to make up for the shortage of national special debt income. The two parts of income can play a coordinated role to ensure the smooth implementation of the policy. In terms of administrative fees, can face high-end maternity center, postpartum care center, charge higher private kindergarten, nursery and monopoly of infant products production enterprises to charge a certain fee, the

main reason is that they use the fertility resources for more than normal profit margins, and charge these fees will be used to compensate the whole society.

### **2.4.2. Building a Financial Subsidy System Covering Multiple Links**

From the existing experience, the effect of the fiscal subsidy policy is related to its implementation strength. The greater the subsidy strength, the better the effect of the policy.

First of all, a detailed birth incentive system is set up in the birth link. Birth reward fund is the subsidy mode with incentive nature, used to reward the mother who gives birth, specific can be issued through the name of one-time birth subsidy. Reward funds budget should be incorporated into the provincial finance as a whole, and set up the corresponding birth incentive management department, which for the fiscal surplus provinces, incentives can be completely borne by the provincial finance, for fiscal deficit of provinces, can be by the central or surplus provinces transfer payments, Shared with the provincial finance. The application process of the bonus should be simplified. As long as the child uploads the information such as the birth certificate and the number of children in the corresponding government service APP, they can get the corresponding reward after the review. At present, China has taken measures such as government purchase, financial subsidies and financial investment for the construction of medical care, childcare and maternity friendly facilities to support the development of related industries. In addition, can also for infant milk powder, toys, animation, daily necessities production enterprises in proportion to the sales revenue of subsidies, further release the market vitality, accelerate the benign competition, promote industry prosperity, in the form of subsidies to promote enterprises to provide more quality affordable goods, let every family can afford, affordable, with good.

Finally, we will extensively implement the policy of housing subsidies for childbearing families. High housing price is an important factor affecting the fertility intention. At present, some parts of China have taken the lead in implementing the housing subsidy policy for multi-child families, but the subsidy intensity may not change the fertility intention of the fertility families to a large extent, and the time limit of the subsidy policy leads to the unsustainable effect of encouraging fertility. To this end, all parts of the country should combine their own development status, detailed subsidies strong, long duration of the housing subsidy policy, in order to reduce the cost of reproductive families when buying a house.

### **2.4.3. Expand the Scope of Preferential Tax Policies to Encourage Family Births**

The construction of a child-friendly society cannot be separated from the support of preferential tax policies. In terms of value-added tax, the tax rate of infant milk powder, toys, clothes and hats and other commodities can be appropriately reduced. Because these are the number of children also included into the tax coefficient, the conversion ratio is carried out according to the number of children. Every family will be necessary parenting products, if it is reduced to 9% or 6% of the low tax rate, will make the production related products enterprise advances tax reduction, enterprise liquidity, production enthusiasm will increase, and due to the lower rates, will reduce the VAT tax, and fertility family eventually bear the cost will be reduced. In addition, the import tariffs on childcare products can also be reduced to reduce the overall price of imported goods, so that more

domestic families can experience the high-quality foreign infant products.

In terms of enterprise income tax, because the female worker maternity leave will still bring enterprises a lot of labor costs, so the enterprise when hiring will avoid the phenomenon of discrimination against female employees, in order to avoid such situation, shape a good employment environment, can let enterprises still according to the pregnancy salary to deduct labor costs, and can claim 100% deduction. In addition, when the number of female employees reaches a certain proportion, they can enjoy the pre-tax deduction of additional salary, or deduct a certain proportion of the actual salary from corporate income tax. In addition, for the enterprises producing infant products, the enterprise income tax reduction policy can be set up. For example, the relevant sales income can be reduced by 90% when calculating the taxable income amount.

In terms of deed tax and property tax, when buying houses or replacing improved housing, they can enjoy the additional discount of halving deed tax. The more the children, the greater the reduction, so that the childbearing families and multi-child families can buy or replace houses at a lower cost. In addition, when the family is operating for their own use or rent their own property, the corresponding part of the property tax can be reduced according to the number of children. In terms of car purchase tax and vehicle and vessel tax, when the family buys or changes an improved car for the first time due to new children, and meets a certain displacement, the buyer can be given at least 50% of the car purchase tax reduction. In addition, the purchase tax preferential ratio will increase with the number of children in the family. In addition, in the process of taxpayers paying vehicle and vessel tax, multiple child families can be given preferential exemption or reduction of vehicle and vessel tax, and the reduction range can be set by reference to the number of family children. In addition, because all parts of the country have successively implemented child care subsidies, one-time birth subsidy policies, and to be formally issued, so for individuals receiving the corresponding subsidies, should implement individual income tax exemption policy, can not be included in any income tax. Similarly, the enterprise income tax exemption policy should also be implemented for the childcare institutions that have received construction subsidies, operating subsidies and incentive subsidies. Only in this way can we maximize the sense of gain of individuals and institutions, so as to create a good atmosphere to encourage childbearing as soon as possible.

#### **2.4.4. Take the Individual Income Tax Declaration Mode of the Family as a Unit**

China's current individual income tax provisions, can only be the individual as the unit to declare, husband and wife can not be the family as the unit for combined declaration. This declaration mode has the following problems. First, for one couple with no income or low income, the other party, as a taxpayer, cannot fully enjoy the basic deduction of expenses and deductions of the spouse. This makes the marriage unable to benefit the family in the personal income tax area. Second, although taxpayers have the same income, their tax burden is also different [6] due to the number of people they support and their employment status.

In this case, the expense deduction is the same. In order to better realize the role of tax regulation of social distribution, narrowing the gap between the rich and the poor, and reflecting the social equity, individual income tax should be

declared and paid by family, and a small amount of individual declaration and payment should be retained. In this way, we can avoid the disadvantages of using pure personal income to determine its tax level. Specifically, the family tax number can be set up and declared by one of the husband and wife, which not only reduces the workload, improves work efficiency, but also takes care of the actual situation of the family.

In addition, the number of children should be taken into account, and different deductions should be set for one and three children, so as to achieve the purpose of encouraging childbirth. First of all, we should improve the corresponding laws and regulations. Legislators should introduce family declaration units in the Individual Income Tax Law and relevant laws and regulations, and clearly stipulate the corresponding details and contents. At the same time, it should also be clear that the tax return mode has flexibility and selectivity, and taxpayers can freely choose to take individuals or family to declare tax according to their own specific conditions. The selective mode respects the personal wishes of taxpayers to the greatest extent, and also plays a positive role in the protection of family information, which is more in line with the concept of tax fairness. This relatively moderate modification can also avoid the situation that it is difficult to achieve the ideal reform effect.

Secondly, the definition and scope of "family" should be clarified in the relevant legislation. China has a vast territory and abundant resources, with a complex family structure, and a variety of family types coexist. However, in recent years, with the advancement of urbanization and people's concept of family. China's family structure gradually tends to simplify and miniaturization. This trend provides a prerequisite for the addition to households as tax returns in the tax law. It is suggested to define the basic "family" in the family declaration mode by the mode of "parents + minor children". Considering that adult children who are still receiving full-time education still need parental support, this group can also be included in the family scope. In addition, special cases such as single-parent families and disabled families will be distinguished, and differentiated tax preferential measures will be set up.

Fourth, in the specific tax method, our country can refer to the French family quotient tax law, formulated the family tax calculation method of China's national conditions not only emphasizes the integrity of the family as an economic unit, but also fully considers the difference of tax burden pressure caused by different family structures. The specific tax method assumed by the author is as follows: 1. The per capita annual taxable income of the family is calculated.  $\text{Per capita annual taxable income} = \frac{\text{sum of income of family members}}{\text{number of family members}}$ ; 2. Clear applicable tax rate. According to the per capita annual taxable income of the family, find the corresponding tax rate on the tax rate table; 3. Calculate the per capita annual tax payable of the family.  $\text{Per capita annual tax payable} = \text{tax rate per capita annual taxable income}$ ; 4. Get household annual tax payable.  $\text{Annual tax payable} = \text{number of family members per capita family}$ . In this mode, the number of family members is the key factor to determine the annual tax payable of a family. Therefore, it can effectively reduce the personal income tax burden of multi-child families, give full play to the family fertility incentive function of individual income tax, and provide support at the tax law for the "three-child policy".

#### 2.4.5. Improve the System Design of the Special Additional Deductions for Individual Income Tax

In raising children special additional deduction, the first should increase deductions, such as infant fees and nursery, caused by parents move in school learning lag or because of special reasons such as learning disability tuition, children's health expenses, insurance costs, women of childbearing age in a series of costs during pregnancy, when necessary, can give tax breaks, such as for women during pregnancy enterprise subsidies can be set exemption. Therefore, a certain deduction proportion can be set for the additional education expenditure of families, and the actual limit deduction system can be adopted to stipulate a deduction limit, so as to avoid excessive deduction of high-income groups and cause injustice. Not only that, in different stages of education, the family needs basic education costs are also different. In the stage of compulsory education, the cost of basic education is often lower, while the cost of basic education is often much higher in the stage of preschool education, senior high school and university. Therefore, for preschool education, high school, college children, should be set. In addition, there are regional differences in children's education costs: towns tend to be higher than rural areas, and first-tier cities are often higher than second-and third-tier cities. However, although setting differentiated deduction standards according to the economic development level of different regions is conducive to the realization of tax fairness, it is more complicated and easy to reduce the efficiency of taxation. In order to not pursue fairness and lose efficiency, it is suggested that our country in the future income tax

In the reform, further consider the regional factors, and formulate more refined deduction standards. Medical deductions for children over 18 should be added. According to China's national conditions, the children of 18 years old have just finished their high school stage and entered the university campus, and the vast majority of them still rely on their parents' living expenses. If the children of this age group suffer from serious illness, it will still cause greater financial pressure on the family. Therefore, medical deductions for children over 18 should be added. As long as the child is still in education and has no independent financial source, the parents can get the corresponding pre-tax deduction through the special deduction item.

Thirdly, the deduction items for special groups should be added. First of all, the special maternity deduction items should be added. In addition to the cost of raising children, in fact, childbearing itself also requires a large expenditure. Inspection, medical expenses, nutrition, health products, maternity clothing... will cause certain economic pressure to ordinary families. Therefore, the special deduction system should be added in the special deduction system, and the maternal expenses during the maternity period. In addition, considering that the proportion of post-depressed women in China is not small, the psychological treatment cost should also be included in the scope of the special fertility deduction, reflecting the humanistic care of the fertility incentive tax law system. Second, more deductions for families with disabilities should be added. In social life, families with disabled family members (whether disabled children or disabled caregivers) need higher costs of childbearing, parenting and education, and face higher economic pressure. In addition, in terms of specific deduction standards, different deduction standards can be divided according to the degree of disability according to the external experience, so as to better reflect the principle

of tax fairness and highlight the tax law protection of the reproductive rights of vulnerable groups.

On special additional project deduction standard, first of all, according to the economic and social development dynamic adjustment children education special additional deduction, special deduction and the local social average wages, establish dynamic adjustment mechanism, this can make the personal income tax and regional economic development, personal income and consumption spending level, keep the tax relatively reasonable balance, to play the role of encourage fertility. Secondly, the special additional deduction standard for supporting the elderly over 80 years old can be raised to 3,000 yuan. Special additional deduction for housing loan interest can be set in different standards according to economic development and housing prices, such as setting 1,000 yuan, 10,500 yuan and 2,000 yuan. Special additional medical deduction for serious diseases should also be set by differential deduction limit according to the medical needs of special vulnerable groups, and deferred deduction should be allowed. In addition, in order to strengthen the redistribution adjustment and promote common prosperity, the credit system can be adopted to replace the tax base deduction part of the special additional deductions. For example, reforms will be made in children's education, infant care, and support for the elderly, converting deductions into credits in a certain proportion. When the credit is greater than the tax before the credit, the uncredit can be refunded to the taxpayer, becoming a part of the social welfare for aging and low fertility.

### 3. Conclusion

In the 2022 government work report, Premier Li Keqiang proposed to "improve the supporting measures of the three child policy, include the cost of caring for infants and young children under the age of 3 in the special additional deduction of personal income tax, develop inclusive childcare services, and reduce the burden of family rearing." The 2023 government work report also continued to emphasize the need to "improve the policy system for supporting childbirth.". In recent years, there have been discussions among representatives of the Chinese People's Congress and the Chinese People's Political Consultative Conference on encouraging childbirth policies. For example, Jin Li suggested significantly increasing the threshold for personal income tax for families with three or more children, while Li Jun and Chen Nan suggested increasing the deduction ratio of personal income tax for families with multiple children and reducing the applicable tax rate for personal income tax for families with multiple children. Zhou Songbo and Xie Wenmin both suggest providing a monthly parenting subsidy for families with multiple children until their children reach the age of three, while Yao Aixing and Ding Zuohong suggest providing a one-time childbirth reward for families with multiple children. Liang Jianzhang suggested implementing a preferential policy of halving income tax and social security for families with two children, and a preferential policy of fully exempting income tax and social security for families with three children. In addition, Zhang Zhao'an suggests reducing or exempting the purchase deed tax for families with multiple children to lower the transaction cost of purchasing a house.

Article 27 of the newly revised Population and Family Planning Law clearly points out that "the state should adopt supporting measures such as finance, taxation, insurance, education, housing and employment to reduce the burden of



family childbearing, upbringing and education". As an important part of public policies, fiscal and tax policies play an important role in regulating the economy and promoting social development, and have great potential in dealing with the problem of population aging and fewer children. In recent years, with the aging of the population and the deepening of the degree of fewer children, various aspects of economic and social problems come one after another, having a huge impact on China. Although some fiscal and tax support policies to encourage birth, due to the slow implementation speed in various places, the effect is not ideal. This requires us to re-examine and improve public policies, especially to give play to the incentive and guiding role of fiscal and tax policies, actively advocate fertility, in order to alleviate the impact of population structure problems, so as to contribute to China's response to the aging population and fewer children.

## Acknowledgments

This work was supported in part by a grant from "The Finance and Taxation of Family Fertility in China under the Background of Fewer Children Research on Subsidy System".

(ACYC2023282).

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