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Study on the Influencing Factors of Household Education Expenditures in the Context of Education Reforms

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Abstract: In recent years, education reform has continued to increase, and in the context of education reform, the impact of personal tax reform on family education expenditure has been deepening, based on this, this paper aims to provide theoretical value. for the study of the effect of personal tax reform. By focusing on the impact of the new personal tax policy on family education expenditure, this paper utilizes the method literature review and the comparative analysis method, based on the data of China Statistical Yearbook, to explore the impact of the personal tax reform on the education expenditure of families in different regions and categories, and to put forward suggestions on the policies of the personal tax reform and the policies of the personal tax reform in the aspect of family education. The study concludes: Firstly, in the context of education reform, the new policy of personal tax reform enhances residents' disposable income, which in turn promotes family education expenditure and residents' willingness to invest in family education'. Secondly, the effect of personal tax reform on family education expenditure is affected by different regions, and the effect is more obvious in economically developed regions, and the increase in family education expenditure brought about by it is also greater. Thirdly, the effect of personal tax reform on family education expenditure is affected by different education categories; the tax reduction effect of personal tax reform will firstly affect the expenditure on academic education, while non-academic education will be less affected by the personal income tax reform in children's education, and the personal tax reform will have a smaller effect on continuing education.

Keywords: Education Reform; Homeschooling Spending; New Tax Reforms.

1. Introduction

On January 19, the CPC Central Committee and the State Council issued the Outline of the Plan for the Construction of a Stronger Education State (2024-2035), a circular stating that it is necessary to deepen the comprehensive reform of education, stimulate the vitality of the development of education, build a learning society, and digitize education to open up a new track for development and shape a new advantage in development. In the context of education reform, the family education pathway has been broadened from school education to education in out-of-school institutions and online education, promoting the diversification of learning styles and content, while at the same time, the family education expenditure has also changed due to the impact of the new tax reform. As society attaches greater importance to education, the investment in family education has gradually increased, and the burden has become heavier, making it urgent to reduce the pressure on family education expenditures.

To reduce the burden of family education expenditure, the first task is to improve family income, and deepening the reform of personal income tax is one of the keys to improving family income. The adjustment of the personal income tax system can not only promote the growth of family education expenditure by reducing the tax burden and increasing the disposable income of families, but also narrow the gap in family education resources by optimizing the expenditure structure. Since the implementation of the new personal income tax policy, the tax reduction effect of the policy and the target tax reduction groups have been the focus of research attention. This paper focuses on the impact of the new personal income tax policy on family education expenditures, explores the impact of personal income tax reform on family education expenditures in different regions and categories, and makes suggestions on the personal tax reform policy and the promotion policy of personal tax reform in family education.

2. Literature Review

2.1. Study of the Overall Impact of the Personal Tax Reforms

Research on the impact of the personal income tax reform has focused on the specific manifestations of the tax cut effect and the impact on the behavior of families of the groups it benefits (Yang Guangli et al., 2019). Among the deduction modes of personal income tax, the redistribution effect of personal income tax income is more obvious in the family mode. (Wang Xiaojia et al., 2019). Overall, this tax reform has realized the focus on the middle and low-income groups on the basis of the full implementation of the national tax reduction policy, and has achieved obvious tax reduction effects.

However, the reform of this special additional deduction still has some shortcomings. Regarding the income distribution effect of personal income tax, some scholars believe that this reform will reduce its effect in certain income distribution to a certain extent, and the special additional deduction policy will play a certain reverse role in narrowing the income gap (Jin Shuanghua et al., 2020); in terms of the impact of the personal income tax reform on the consumption behavior of individuals and families, it is generally believed that there are certain structural differences in the increase in

income brought about by the effect of tax cuts (Xu Run et al., 2015); in terms of consumption capacity, some scholars believe that the personal tax special additional deduction policy cannot fully enhance the ability of residents to consume at home, and that the promotion of household consumption requires other policy instruments to take a multi-pronged approach (Peng Jinqing et al., 2019).

2.2. A Study of the Impact of the Individual Tax Reform on Household Spending on Education

Reducing personal income tax directly increases residents' after-tax disposable income, and the increase in income further stimulates increased consumption of family education. Meanwhile, the government guarantee program, on the other hand, directly increases additional household income, which has a more significant impact on the household education expenditure of low-income families (Chen Yongwei et al., 2014). Different groups show polarization trends in accessing out-of-school education resources, and families with better economic capital have children who not only have more education expenditure costs, but also participate in more extracurricular training. Therefore the introduction of personal income tax with income adjustment effect can reduce the economic burden of families to a certain extent, relax the family budget constraints, change the family education consumption decisions, and help to make up for the disparity of education resources (Wei Yi et al., 2021). And there is a significant positive effect of personal tax reform on education expenditure, which increases the proportion of household education expenditure to total expenditure to a certain extent (Liu Lili and Liu Honggui, 2020).

2.3. Summary

The impact study of the new personal tax reform mainly focuses on the impact of, and family behaviorin general, it has realized the focus on the and middle and low-income groups achieved obvious tax reduction effects. However, there are still some shortcomings in this reform, such as the special additional deduction policy will play a certain reverse effect on narrowing the income gap, and there are certain structural differences in the income increase brought about by the tax reduction effect. In addition, in terms of the impact of personal tax reform on family education expenditures, most scholars believe that the reduction of personal income tax will stimulate family education expenditures and help to make up for the disparity of education resources. In general, the existing literature has mainly studied the impact of personal tax reform on income and economic and consumption behaviors, while little research has been done on the role it plays in the field of family education. Therefore, this paper will from the startnew personal tax reform to study the impact of personal tax on family education expenditure.

3. Analysis of Results

3.1. Overall Impact of the Tax Reform on Household Spending on Education

The new policy of 2019 individual tax reform, which elevates the basic deduction costs and adds six new special additional deductions, objectively speaking, largely reduces the pressure of individual tax taxation on low- and middle-income groups, boosts the disposable income of residents, and enhances the family education expenditure. From a subjective point of view, the longevity and stability of the individual tax reform policy makes the residents' willingness to invest in family education expenditures increase, and the residents' expected disposable income also increases synchronously, and their confidence in future investment is correspondingly enhanced. As shown in the following chart 1, from 2018 to 2024, the per capita disposable income of residents has steadily increased, and at the same time, the per capita education and recreation expenditures of residents have also increased overall accordingly.

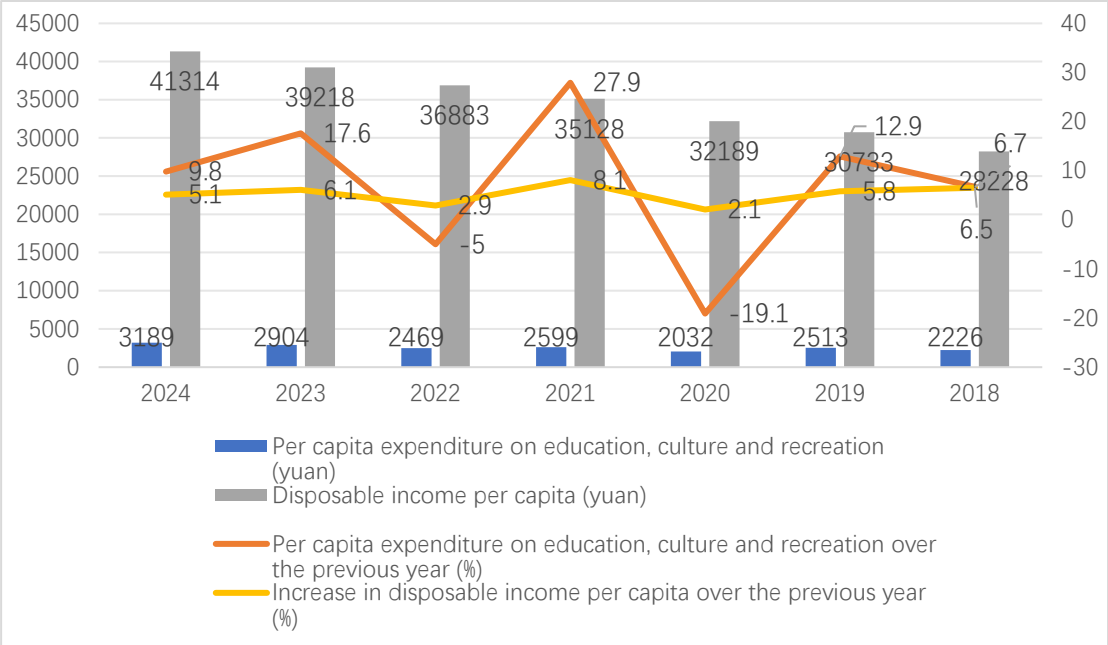


Figure 1. Trends in per capita education expenditure versus disposable income of the population

3.2. Impact of Tax Reform on Household Education Expenditure in Different Regions

The impact of the individual tax reform on household education expenditures varies across regions. Generally speaking, the level of household education expenditure will be higher in regions with higher overall income levels, and correspondingly lower in regions with lower income levels. This is caused by the differences in income level, consumption ability and the number of choices available for consumption brought about by the degree of economic development between regions. The role of individual tax reform in economically developed and high-income and consumption level regions is also more obvious, and the effect of the increase in family education expenditure brought about is also greater. Specifically, taxpayers in regions with a high degree of economic development are more qualified, more numerous, more aware of tax payment, and have a higher degree of tax compliance, so the implementation policy of personal tax reform is more practical, and the tax reduction effect brought by the personal tax reform has a more direct effect on the promotion of consumption, so accordingly, their family education expenditure will also increase. This paper discusses the differences between regions in China and the differences between rural and urban areas.

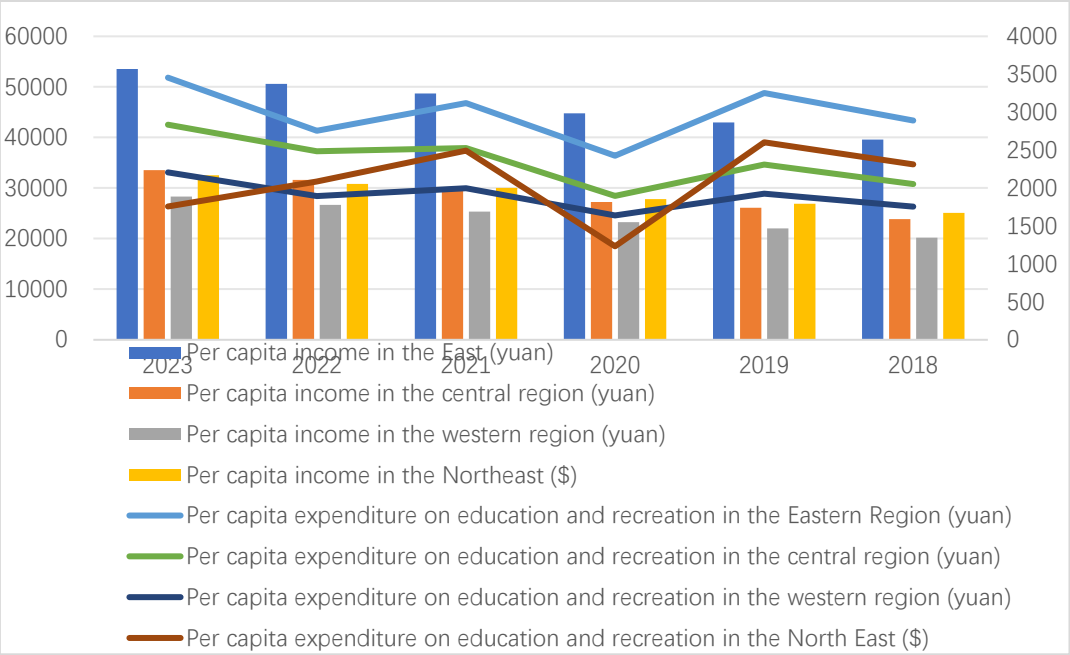


Figure 2. Comparison of per capita income and per capita expenditure on education and recreation by region

On the one hand, start with the differences across regions. As shown in Figure 2 above, since the personal tax reform, the per capita income of all regions has continued to rise from 2018 to 2024, with the highest per capita income in the eastern region, the lowest in the western region, and the central and northeastern regions are not on par with each other. In addition, per capita education and recreation expenditures have risen overall in the east, center, and west, with per capita education and recreation expenditures higher in the east than in the center, and higher in the center than in the west, while per capita education and recreation expenditures have declined overall in the northeast. For a long time, the economic development of each region shows a situation of decreasing from east to west and from south to north. Personal tax reform is affected by the level of local economic development, and plays a greater role in developed regions, such as the eastern region, positively affecting their education and recreation expenditures, and enhancing their education and recreation expenditure level and consumption capacity; accordingly, for regions lacking economic development, such as the western region and the northeastern region, the tax reform has a significant impact on education and recreation expenditures, and on the education and recreation expenditure level and consumption capacity. The impact of individual tax reform on education and recreation expenditures is not obvious.

On the other hand, starting from the regional differences between rural and urban areas. As shown in the following figure 3, since the individual tax reform, the per capita disposable income in rural and urban areas has continued to rise, and accordingly, their per capita education and recreation expenditures have also risen overall. In contrast, the per capita disposable income of urban residents is much higher than that of rural residents, and the residents education expenditure of urban is higher than the also per capita education expenditure of rural residents.

3.3. Impact of Tax Reforms on Expenditures in Different Education Categories

In general, by combining the new categories of children's education and continuing education added in the individual tax reform with the categorization in the China Education Finance Household Survey, household education expenditures can be classified into the academic education expenditure category, the non-academic education expenditure category and the continuing education category.

Expenditures on academic education and non-academic education belong to the same category of children's education. For children's education, academic education expenditures include not only tuition fees paid at school, but also course fees and book costs for remedial school courses. Under the environment of China's college entrance examination, as a

major part of the family's education expenditure, the change in the quantity of academic education expenditure is not only affected by the school segments and schools, but also by the educational pressure and policy factors in the general environment. Because of the specificity of the quantity and nature of its expenditure, the increase in income brought about by the tax reduction effect of the individual tax reform will first act on the expenditure on subject education, leading to a further increase in subject education.

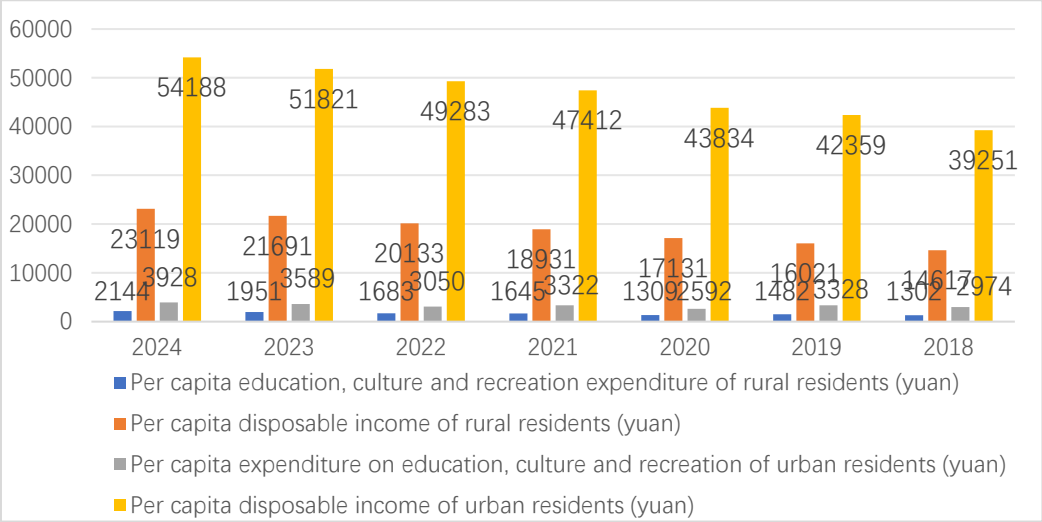


Figure 3. Comparison of per capita income and expenditure on education, culture and recreation between rural and urban residents

Non-subject education in children's education, on the other hand, is less affected by the reform of the personal income tax. Since non-subject education is not a major part of family education, at the same time parents first consider subject education rather than non-subject education when choosing the type of education. This leads to the fact that the change in its amount does not change much before and after the personal income tax reform.

For continuing education, theoretically, the tax reform has increased the pre-tax deduction for continuing education, which will also incentivize taxpayers to increase their expenditure on continuing education, and play a guiding and motivating role in the policy. At the same time, the tax reduction effect brought by the individual tax reform as a whole can also increase the disposable income of taxpayers, and improve their ability to spend on continuing education. However, in reality, the amount of continuing education in family education is relatively small and covers a smaller scope, so the personal tax reform has a smaller degree of impact on it. At the same time, the expenditure elasticity of continuing education, whether in the vocational training category or in the degree education category, is small, and the effect of the personal tax reform is limited.

4. Discussion

4.1. General Recommendations for Personal Tax Reforms

First, the standard of various deductions for personal tax should be refined. For basic deductions, the standard should be refined to a certain extent on the basis of ensuring the fairness of the personal tax system. For the special additional deduction, it is necessary to effectively refine it for the actual needs of different regions and different groups of people, so as to ensure that the personal tax system is adapted to the actual situation of each region; secondly, reduce the marginal tax rate, the marginal tax rate of 45% corresponding to the comprehensive income of China's personal income tax system is still relatively prominent in the tax level of countries all over the world, and a higher marginal tax rate is not only unfavorable for the gathering of talents, but also easier to trigger the occurrence of tax evasion; in addition, improve the marginal tax rate, which is more likely to trigger tax evasion; in addition, improve the tax system, and improve the tax system. tax rate is more likely to trigger the occurrence of tax evasion; in addition, improve the collection mode. Consumption ability, income and family composition of general residents are linked together, and the comprehensive levy under the current mixed collection model in China is limited to part of an individual's income, which still does not take into account that the actual taxpaying ability of taxpayers in different situations is not the same.

4.2. Proposals for Reforming Personal Taxation in Education

On the one hand, increase the number of education-related deductions. This paper argues that the personal income tax reform presents a positive promotion effect on family education expenditures as a whole, but the promotion effect is not obvious when categorization is discussed in detail, which indicates that the promotion effect and burden reduction effect of the personal tax reform on family education expenditures have not reached a good effect; on the other hand, increase the deduction content of non-discipline education. In the above analysis of different education expenditure categories, it is found that the significance of the impact of personal tax reform on academic education is the highest, followed by non-academic education, and finally continuing education. In the future, the deduction for children's education can be increased to non-academic education, with reference to the way of rent deduction, and the deduction policy can be enjoyed by uploading certain expenditure vouchers, so as to promote the change of family education expenditures from academic education expenditures to non-academic education expenditures.

4.3. Discussion of Innovation

In terms of the impact of personal income tax reform, the

existing literature has studied the impact of personal tax reform on income and economic and consumption behavior, but rarely addressed its family education role. As affecting family income personal tax inone of the factors, can directly affect family income and stimulate family education expenditure, and also indirectly affect the direction of family education expenditure through pre-tax deduction, which in turn has an impact on family education expenditure. main Over the years, family education expenditure has become every indispensable family part of Chinese (Chi Wei et al., 2012), but the expenditure has also increased the burden of the family. Coupled with the differences in education costs caused by the differences in economic levels across the country, the education investment gap between families is widening (Zou Wei, Zheng Hao, 2014). Under such circumstances, we hope to make changes to the educational environment in China. For this reason, this paper starts from personal tax to study personal tax the impact of on family education expenditure. reform

5. Conclusion

(1) Overall Impact of the New Personal Tax Policy on Household Education Expenditures in the Context of Education Reforms

In the context of education reform, from an objective point of view, the new policy of individual tax reform largely reduces the pressure of individual tax for the middle and low-income groups, raises the disposable income of the residents, and enhances the family education expenditure. From a subjective point of view, the individual tax reform policy enhances the willingness of residents' families to invest in education.

(2) The role of tax reforms on household spending on education is affected by different regions

The role of individual tax reform is also more pronounced in economically developed and high-income, consumption-level regions, and the resulting increase in household education expenditures plays a greater role. Specifically, the tax reform plays a greater role in the eastern region, with on its education and recreation expendituresa clear positive impact, while its impact is less pronounced the western and northeastern regionsin ; moreover, the tax reform has a greater positive impact on the education expenditures of urban households than on those of households rural.

(3) The role of tax reforms on household spending on education is affected by different education categories

For children's education, due to the special nature of the quantity and nature of expenditure, the tax reduction effect of individual tax reform will first act on academic education expenditure academic education , while non-academic education will be less affected by the individual tax reform; for continuing education, theoretically, the individual tax reform can incentivize the taxpayers to increase their own continuing education expenditure, but in practice, the amount of continuing education in the family education is small, the scope of coverage is small, and the individual tax will affect it to a lesser extent. However, in practice, continuing education is a relatively small amount of family education and covers a relatively small scope, so individual tax reform has a relatively small impact on it.

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