

# Research on the Problems and Countermeasures of China's Green Tax System

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## Abstract

**Long term extensive management has resulted in increasingly severe environmental problems, affecting the sustainable development of society. In recent years, based on a new stage of development, China has continuously adjusted its tax policies and accelerated the pace of tax system reform related to environmental protection, aiming to promote energy conservation and emission reduction, accelerate enterprise technological innovation, and lead new demand with high quality. Based on the current situation of China's green tax system, this paper studies the problems existing in the existing green tax system and puts forward corresponding policy recommendations, with a view to establishing a green tax system oriented by resource conservation and industrial structure upgrading, adhering to the concept of green development, improving the quality of China's economic development, and building a Dual circulation.**

## Keywords

**Green Tax System; Green Development Concept; High Quality Economic Development.**

## 1. Introduction

In recent years, China has continuously accelerated the pace of green tax reform, aiming to promote energy conservation and emission reduction for enterprises, accelerate technological innovation for enterprises, promote industrial structure upgrading, and achieve green development to build a beautiful China with good ecology. At present, China's green tax system is mainly based on environmental protection tax, which combines other taxes such as resource tax, farmland occupation tax, vehicle and vessel tax, consumption tax, urban maintenance and construction tax, etc.

The scale of China's resource tax revenue is not large, but it has an undeniable regulatory effect. By implementing ad valorem taxation and establishing a direct adjustment mechanism linking taxation with resource prices, market entities are guided to comprehensively develop and utilize resources, promoting the conservation and intensive utilization of resources. To some extent, it has suppressed the phenomenon of resource waste and reflected the goal of green environmental protection. The collection of farmland occupation tax is aimed at strengthening land management, especially protecting farmland, and limiting non agricultural activities from indiscriminately occupying farmland. Many policies of this tax category reflect the meaning of "green". For example, if taxpayers temporarily occupy farmland, they should pay farmland occupation tax in accordance with the provisions of this regulation; Taxpayers who restore the occupied farmland to its original state within the period of approval for temporary occupation of farmland shall fully refund the paid farmland occupation tax. Vehicle and vessel tax is a type of tax levied on the owner or manager of vehicles and vessels, with vehicles and vessels as the subject of taxation. The Vehicle and Vessel Tax Law of the China divides passenger vehicles into

different unit taxes according to their emissions, and taxes them according to the degree of environmental pollution caused by different vehicles and vessels, which reflects the green orientation. Consumption tax can regulate and guide Consumer behaviour, compensate some goods and Consumer behaviour for negative Externality, and promote energy conservation and environmental protection. The establishment of tax items for disposable wooden chopsticks and solid wood floors, and the exemption of consumption tax on environmental friendly products such as mercury free Primary battery and lithium batteries, all reflect the reform orientation of consumption tax to promote environmental protection. The tax collected from urban maintenance and construction tax is used for the maintenance of public utilities and facilities in the city. These utilities and public facilities include "green" projects such as urban sewage treatment system, domestic Waste sorting treatment system and urban public landscaping. Therefore, the collection of urban construction tax has also become an important source channel for improving the public environment in Chinese cities.

From the above analysis, it can be seen that there are currently multiple tax categories related to environmental and resource protection in China, with the nature of "green taxation" and a continuous trend of "greening". In addition, China also has green income such as mineral resource compensation fees and waste disposal fees. From this, it can be seen that China's green tax system has begun to take shape, and the "green standards" that promote resource conservation, energy conservation, emission reduction, and environmental protection are deeply rooted in multiple tax categories, penetrating into various links of resource extraction and utilization, and also affecting all aspects of production, operation, and consumption.

Green taxation utilizes tax laws and regulations to save resources and protect the environment. The introduction of green tax policies can not only effectively limit the amount of pollution emitted by enterprises, thereby reducing the risks of air pollution, water pollution, and environmental pollution, creating a more comfortable and healthy ecological environment for the public, but also promote the efficient utilization of social resources, and promote the refinement, modernization, environmental protection, and sustainable development of enterprises in various industries and fields in society. This article explores the problems in China's green tax system and proposes corresponding policy recommendations. This study is beneficial for the government to improve the green tax system, fill tax loopholes, enhance the economic and environmental benefits of green taxation, improve enterprise innovation efficiency, and improve the current situation of China's environmental resources.

## 2. Literature Review

The academic community has conducted research from different perspectives on the effects of green taxation. Some scholars (Liang Xiaoyuan and Tan Yue, 2020) found that domestic enterprises generally have low efficiency in environmental investment, and individual differences are significant. There is a significant positive correlation between green taxation and the efficiency of corporate environmental investment, and green taxation has played a positive promoting role in improving the efficiency of corporate environmental investment. Wu Fei and Li Wei (2022) also empirically tested the impact of green taxation on enterprise green transformation, pointing out that green taxation is an important means of driving enterprise development and transformation. However, another group of scholars (Liu Zhongjun et al., 2022) believe that green taxation can promote economic growth, but cannot significantly promote industrial upgrading. Ma Jie and Li Menglian (2023), based on the super efficiency SBM model and GML index method, used a panel model to confirm that green taxation can promote green transformation of enterprises. However, the conclusion only applies to resource-based enterprises, and the scope of application of the conclusion is narrow.

The research on green taxation in China's academic community mainly focuses on proving its applicability in China. In response to the current situation of China's green tax system, Lang Wei and Chen Yingzi (2020) pointed out that there are still problems in China's current green tax system, such as incomplete positioning, relatively vague positioning, and insufficient coordination and coordination between tax categories and tax rates. At the same time, it is proposed to build a green tax system under the concept of green development. The reform of the green tax system should focus on the systematic balance of tax categories and systems, promote the coordination and cooperation of multiple tax categories and differentiated tax rates, and promote the formation of tax coordination mechanisms that are conducive to regional ecological cooperation. Ouyang Jie, Zhang Jingkun, and Zhang Kezhong (2020) analyzed in detail the mechanism of fiscal and tax policies promoting ecological innovation, and introduced the combination of fiscal and tax policy tools for promoting ecological innovation from a full lifecycle perspective, exploring the current fiscal and tax policy factors that constrain ecological innovation. They proposed suggestions for building an ecological innovation financial and tax policy system from four aspects: improving design ideas, increasing financial support, improving the green tax system, and strengthening government procurement functions. Pan Nan and Jiang Jinfu (2022) drew on and drew on the experience of environmental tax reform in OECD member countries, proposing to expand the scope of taxation and strengthen the green emission reduction role of environmental tax, and pilot the "negative environmental tax". Deng Liping and Chen Bin (2022), within the framework of the ecological tax concept of Socialism with Chinese characteristics, tried to explore the effective path of tax support to achieve the "double carbon" goal from six aspects, put forward several issues that need to be correctly understood and handled in the construction of the green tax system, and put forward suggestions on the goal construction and realization path of the green tax system from the "double carbon" perspective.

### 3. Problems in China's Green Tax System

China has adopted a series of tax policies with ecological value, which, in conjunction with other government policies and measures, play a positive role in reducing or gradually eliminating environmental pollution and strengthening environmental and resource protection. However, some of China's current tax policies and measures related to environmental protection are mainly formulated to encourage enterprises to effectively utilize resources and comprehensively recycle "waste". Although it also contributes to environmental protection, it is primarily for economic purposes. These measures include: tax reduction and exemption for "three waste" enterprises. Tax incentives for environmental protection technologies such as energy conservation and pollution control, as well as investment in environmental protection; Tax measures to limit polluting products and projects. Tax incentives that promote the effective utilization of natural resources. Compared with the speed of economic development, China's tax system seriously lags behind the need for environmental protection, and there are obvious shortcomings. Faced with the strategic goal of sustainable socio-economic development, the role of green taxation in environmental protection has not yet been fully and effectively played, and many problems still exist in the development process.

#### 3.1. Lack of a Complete Tax System

With the increasingly prominent environmental issues, regulatory authorities have become increasingly strict in their requirements for environmental protection. Despite multiple laws and regulations on environmental taxation in China, green taxation still faces many challenges in terms of main tax types, taxation standards, and green tax cooperation. In terms of main tax categories, green tax accounts for a small proportion of total tax revenue, making it difficult to meet the green development needs of "carbon peaking and carbon neutrality". In terms of tax

standards, due to the current low tax rate standards and the high cost of taxpayers in pollution control and emission reduction, the enthusiasm of enterprises for low-carbon emission reduction has been reduced to some extent. In addition, in terms of collaboration, it is necessary for the environmental protection department and the tax department to collaborate, but the current division of labor between departments is not clear enough, resulting in a lack of smooth connection of environmental protection information.

### **3.2. Insufficient Penetration of Green Tax Concepts**

Some local governments have not taken a holistic approach when setting fiscal and tax policies, and have not effectively linked them to environmental protection and energy conservation, resulting in inconsistent fiscal and tax policy guidelines and the concept of conservation. Policy guidelines also cannot effectively promote the awareness of environmental protection and conservation among social enterprises and even individuals, and environmental pollution cannot be effectively curbed. Due to the local government's excessive focus on GDP, limited awareness of a conservation-oriented society, lack of emphasis on energy-saving technology research and development promotion, and focus solely on their own performance, even if relevant green fiscal and tax policies are introduced, the policy content and mechanism will still have obvious deficiencies. Enterprises with high emissions and energy consumption will not be effectively constrained, and the actual implementation effect of corresponding green fiscal and tax policies will also be greatly reduced.

Currently, both enterprises and the public have insufficient understanding of green taxation. Green taxation has a binding function on enterprises, which can remind them to pay attention to their own energy-saving and emission reduction work. However, most enterprises, due to their own business interests and lack of low-carbon environmental awareness, may overlook the focus on green development in the production and operation process if solely seeking their own interests is the primary condition. Apart from enterprises, green taxation plays an important role in guiding residents' green consumption and protecting the environment. However, the meaning of green taxation is also relatively vague among the majority of the public. Secondly, the lack of awareness among the public about pollutant emissions and reducing energy consumption also poses challenges to the implementation of green taxation.

### **3.3. Insufficient Refinement of Policy Standards**

From a practical perspective, in recent years, China has introduced many green tax policies. However, in terms of specific implementation, due to inconsistent implementation standards and difficulty in charging fees, such as loopholes in energy-saving standards for high energy consuming enterprises, energy-saving indicators for the public, and office energy efficiency, the tiered electricity and gas prices cannot be effectively implemented, and a complete energy conservation economic evaluation mechanism has not been formed in the entire social region. In addition, the close relationship between energy conservation and emission reduction and government performance is not good, and many quantifiable work has not been finely adjusted and controlled. Even though some local governments have formulated a set of regional regulations and industry guidance systems around the concept of a conservation-oriented society, various problems of tax evasion and evasion still arise in the practice process. High energy consuming enterprises still consume energy seriously. This lack of refinement and standardization of green fiscal tax standards also poses a significant obstacle to the subsequent promotion and popularization of policies.

## 4. Countermeasures of China's Green Tax System

### 4.1. Reasonable Setting of Green Tax Policies

In response to the difficulties of green fiscal and tax policies from the perspective of conservation, it is necessary to start from the rational setting of green tax policies that support energy conservation and emission reduction during the practical period. At present, the implementation effect of China's tax policies on energy conservation and emission reduction is not ideal, and a complete policy system has not yet been formed, which has limited incentive effects on enterprise energy conservation and emission reduction control. So, around the establishment of a comprehensive tax policy mechanism to promote energy conservation and environmental protection, resource taxes should be levied on enterprises with obvious energy consumption attributes. Except for water resources, gas energy, mineral resources, land resources, and other enterprises, taxes should be levied. The original measurement tax should be specifically priced and levied to ensure that enterprises and individuals can efficiently use existing resources and avoid unnecessary waste. On this basis, research on energy-saving and emission reduction technologies should be increased, Promote the rapid transformation of waste reuse enterprises, and establish exemption from emission tax and garbage tax for such enterprises, encouraging them to innovate models and move closer to a conservation-oriented society. In addition, a clear definition of the scope of consumption tax collection should be made, especially focusing on high energy consumption and high pollution products. The higher the energy consumption, the higher the taxation should also be. More consumer groups should be trained to use green and energy-saving products, and a good awareness of green and energy-saving should be formed.

### 4.2. Improve the Scope and Basis of Green Tax Collection

Further optimize and improve the taxable pollutants and equivalent values, and gradually include volatile organic compounds, desulfurization gypsum, Phosphogypsum, red mud, industrial sludge, chemical waste residue other than hazardous waste and other solid wastes, construction site noise, agricultural production emissions, carbon emissions, etc. into the tax collection scope of environmental protection tax; Change all compensatory fees for natural resources such as clean water sources, rivers, grasslands, and forests to resource taxes; Establish non degradable plastic packaging materials, private aircraft and other consumer goods as consumption tax items, and gradually shift the tax collection process for high-end cosmetics, alcohol and other consumption tax items from the original production process to the wholesale or retail process; Gradually increase the tax rates on consumer goods such as firecrackers, solid wood flooring, wooden disposable chopsticks, and yachts. Explore the adjustment of the current consumption tax pricing model from within price tax to outside price tax, increasing tax transparency, and more effectively guiding consumers to engage in green and rational consumption. Promote the reform of ad valorem resource tax collection to be completed as soon as possible, adjust the tax basis of some tax categories to make them more reasonable, and better play a positive role in promoting resource conservation and environmental protection.

Accelerate the pace of carbon tax and water resource tax collection. Currently, China is facing the goal of both reducing pollution to fundamentally improve ecological environment quality and reducing carbon to achieve the "dual carbon" goal. Therefore, in addition to promoting pollution reduction through environmental protection tax, the current green tax system also needs to improve tax policies with a focus on carbon reduction, effectively achieving the synergy of pollution reduction and carbon reduction tax policies. At the same time, it is necessary to accelerate the promotion of water resource tax collection nationwide, timely



expand the scope of tax payers to units and individuals that extract water, further refine water resource tax items, and guide the rational development and utilization of water resources.

The government must further establish charging rules, and for enterprises that pollute the atmosphere, water flow, soil, etc., environmental protection fees and pollution discharge fees can be collected. In order to highlight the core position of energy conservation and emission reduction in the current era, the amount and scope of collection fees should be appropriately increased. For example, setting solid waste as a separate item for pollutant discharge fees, local governments must dynamically supervise and regulate the entire process of fund control, ensuring that every payment serves the public, ensuring that only professional pollutant treatment enterprises can carry out pollution treatment and other tasks. The collected pollutant discharge fees can also be used as pollution control bidding funds to recruit professional pollutant treatment enterprises to participate in environmental pollution treatment projects, further enhance the awareness of pollution control throughout society.

#### **4.3. Optimize the Incentive Policies of Green Taxation for Enterprises**

Encourage enterprises to actively promote technological innovation, and provide sufficient tax exemptions or other incentive policies for enterprises that can bring innovative technologies in environmental protection, resource utilization, and energy consumption reduction. One is to further optimize green and environmental tax policies, and increase incentives based on existing tax exemptions or reductions for various tax categories. For example, expand the scope of application of "pre collection and post refund" in value-added tax, accelerate the implementation of accelerated depreciation policies for enterprises to purchase and use environmentally friendly specialized equipment, choose an opportunity to increase the pre tax deduction standard for enterprise environmental protection technology research and development expenses. For the research and development expenses incurred by internationally leading energy-saving and environmental protection technologies or equipment developed by enterprises, the deduction ratio can be further increased to stimulate the development of low-carbon technology and industry. Secondly, for enterprises that actively respond to the national call, such as building sewage and waste treatment points, developing new energy, and popularizing solar power generation, "secondary tax refunds" will be given as rewards. Thirdly, in the process of income tax collection, green and environmental protection content can be incorporated, and differential tax rates can be implemented based on the industry, nature, and contribution to environmental protection of different taxpayers and enterprises.

#### **4.4. Safeguard Measures for Strengthening the Green Tax System**

To make the green tax system play a substantive role, it is inseparable from the improvement of various supporting measures. One is to improve the evaluation mechanism for economic growth, incorporate resource consumption, environmental protection, ecological benefits, and other aspects into the comprehensive evaluation system of various reform measures in a more scientific and reasonable manner, so that green development benefits truly become the assessment target for local economic and social development, the positive incentive for leaders' political achievements, and the comprehensive strength of enterprises. The second is to strengthen efficient collaboration among departments, refine the cooperation obligations between environmental protection departments and tax departments through institutional construction, and improve the collaborative operation mechanism between departments. The third is to fully utilize modern information methods, build an internal integrated shared information platform, break the "information island", provide information technology support for the operation of green tax system, and promote the improvement of environmental tax collection and management efficiency. Strengthen the publicity and promotion of existing green fiscal and tax policies, such as fiscal support policies and tax preferential policies. Local

governments must start from the level of online and offline cooperation, convey policy theme documents, actively provide policy guidance to environmental protection enterprises and energy-saving enterprises, list high energy consumption and high pollution enterprises, and carry out policy regulation as soon as possible to guide them to transition towards energy conservation and environmental protection, ensuring that enterprises Individuals can effectively understand and recognize the connotation, characteristics, and policy objectives of green fiscal taxation policies, creating a favorable environment for the widespread popularization of green fiscal taxation in the future. The fourth is to promote effective policy integration, strengthen coordination and cooperation with fiscal expenditure policies, financial policies, pricing policies, and other environmental policies, and form a policy synergy to jointly promote green development.

## 5. Conclusion

In summary, by analyzing the difficulties and countermeasures of the existing green tax system, it can be seen that China's green tax system has some problems at both the normative and practical levels, which need to be continuously improved and verified. The difficulties of the green tax system are mainly manifested in the lack of completeness in the content and mechanism of green fiscal tax policies, the relative lack of refinement in the standards of green fiscal tax policies, and the insufficient promotion and related incentive support of green fiscal tax policies. Therefore, during practice, it is necessary to reasonably set up green tax policies that support energy conservation and emission reduction, innovate resource taxes, and adjust value-added tax and consumption tax from a practical perspective Only by establishing a sound green tax policy system, regulations, and continuously improving the supporting mechanisms of relevant green tax policies can China's green tax system be improved.

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