

## *Original Paper*

# A Study on Fiscal Policies for Rural Revitalization

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### **Abstract**

*If we want to achieve comprehensive rural revitalization, emphasizing prioritizing agricultural and rural development, consolidating and expanding poverty alleviation achievements, and promoting the revival of rural industries. Rural revitalization has always been a key the people. However, in the current stage of rural revitalization work, there are still urgent issues to be addressed such as uneven development between villages, inadequate allocation of resources in rural areas, and low level of rural development. Therefore, fiscal policies as an important foundation for national governance should play their role by providing targeted support to promote vibrant and healthy development in rural areas.*

*This paper first analyzes the concepts and current situation of fiscal policies and rural revitalization. It then explains the characteristics of existing fiscal policies that support rural revitalization. Finally, it summarizes the problems with current fiscal support for rural revitalization along with corresponding suggestions for improvement.*

### **Keywords**

*Rural Revitalization, Fiscal Policies, Agricultural Development*

## **1. The Concept and Current Situation of Rural Revitalization and Fiscal Policy**

(I) The Concept of Rural Revitalization and Fiscal Policy In February 2023, the Central Committee and the State Council issued the Opinions on Promoting Comprehensive Rural Revitalization in 2023, which is the 20th central document guiding agricultural work since the 21st century. It puts forward the concept of 'prioritizing agriculture as a fundamental task for national development.' Treating rural areas as an integrated entity, it aims to establish sustainable and dynamic strategic mechanisms in industries, ecology, culture, and rural customs to further promote rural development. By mid-century, China aims to become a modernized strong country that is prosperous, democratic, civilized, harmonious, and beautiful; thus rural revitalization plays a crucial role. Fiscal policy is a historical concept that has become an inevitable outcome due to rapid advancements in productivity. Finance serves national functions by engaging in various economic activities to meet public social needs. As society progresses,

fiscal policy not only plays its role in economic domains but also assumes significant responsibilities in national governance. Rural revitalization is a key component of national governance while finance acts as an important pillar; therefore it can be inferred that the effectiveness of fiscal policies for rural revitalization directly impacts overall national governance.

(II) **Current Situation of Fiscal Policies for Rural Revitalization** In recent years, China has introduced numerous fiscal policies to support agricultural development, with a particular emphasis since 2013. Under the strategic requirement of rural revitalization, national fiscal policies have significantly tilted towards rural areas. In terms of fiscal expenditure, China's financial support for rural revitalization has been increasing year by year, with a growing scale of agricultural investment and positive momentum. The key areas supported by the government include agriculture and rural areas, forestry, grasslands, water conservancy, comprehensive reform and inclusive finance. Through financial assistance, these measures contribute to the prosperous development of industries in rural areas and ensure stable economic growth. Furthermore, there is a strong focus on fiscal subsidies. China has implemented agricultural protection subsidies and subsidies for agricultural machinery purchases to promote increased agricultural output while reducing farming costs for farmers. From another perspective - fiscal taxation - since completely abolishing agricultural taxes in our country, efforts have been made to continuously expand tax preferential policies specifically targeting agriculture. These mainly encompass four aspects: first is value-added tax related to agriculture; second is corporate income tax applicable to agriculture-related enterprises; third includes other taxes and fees related to agriculture; fourth are indirect benefits provided specifically for agriculture. However, along with these efforts come some unresolved issues such as insufficient financial input, inadequate allocation of financial resources, and limited scope of tax incentives.

## **2. Characteristics of Fiscal Policies for Rural Revitalization**

(I) **Wide-ranging Support** The comprehensive construction of a socialist modernized country places the most arduous and demanding tasks in rural areas. It is imperative to persistently prioritize the resolution of issues related to agriculture, rural areas, and farmers as the top priority for the entire work. We must mobilize all forces within society as a whole to comprehensively promote rural revitalization and accelerate agricultural and rural modernization. Unlike poverty alleviation, rural revitalization encompasses overall rejuvenation, including rejuvenation in industries, talents, culture, ecology, and organizations. This requires fiscal policies to provide comprehensive coverage. They should address grain security concerns as well as ecological transformation in rural industries and infrastructure development. Firstly, regarding grain security concerns, multiple documents issued by the Central Committee have emphasized this issue. For example, the Central Document No.1 in 2023 pointed out that to improve grain production capacity, the first step is to "lay a solid foundation", which means fully implementing the strategies of storing grain in land and technology. Local governments have increased investment in rural grain production, promoting large-scale improvement of farmland and rural land

construction. Secondly, there is the issue of ecological development in rural industries. The prosperity of industries is a key focus for rural revitalization. While ensuring further development of rural industries, it is important to safeguard the ecological environment and establish a sound economic system with an ecological approach to industry, creating a harmonious scene where rural industries thrive, ecology flourishes, and people prosper. Lastly, there is a noticeable difference between rural and urban areas when it comes to infrastructure. The poor state of rural infrastructure has long been an issue waiting to be resolved; however, fiscal policies have provided strong support for infrastructure development. Subsidies have been increased for various aspects such as rural roads, drinking water supply in villages, and internet access in rural areas.

#### (II) Diversification of fiscal policy measures

With the development of the times and the increasing attention from the country, there has been a growing variety of fiscal policy measures to support rural revitalization. It has evolved from direct financial input to now guiding social capital investment and issuing bonds. Guiding social capital investment in rural areas not only reduces the pressure on government finances but also promotes economic vitality in society and rural areas. For example, in the "14th Five-Year Plan for Social Organization Development" released in 2021, it is explicitly stated that the government encourages and guides social funds to invest in social projects. This measure greatly enhances enthusiasm among social capital participants for rural revitalization.

The issuance of bonds is also a concrete manifestation of diversified fiscal policy measures supporting rural revitalization. The government attaches great importance to using bond issuance as a means to support rural revitalization. According to Wind data, as of October 2022, China's total issuance amount for special bonds dedicated to rural revitalization exceeded 280 billion. Furthermore, public-private partnership models are an effective means through which fiscal policies leverage private capital into rural revitalization efforts. This approach is widely used with significant results achieved.

#### (III) Transformation of Fiscal Policy Approaches to Support Rural Revitalization

There are three ways in which fiscal support for rural areas can be provided: blood transfusion, blood replacement, and hematopoiesis. Currently, the approach to supporting rural revitalization has shifted from blood transfusion to hematopoiesis. In the context of fiscal support for rural revitalization, the saying "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime" applies. The government supports the cultivation of new types of farmers by changing their traditional planting ideas and methods from manual labor-intensive farming to mechanized farming that increases productivity while reducing labor costs. This answers the question of "how to achieve sustainable development." By utilizing models such as "agriculture + internet," "agriculture + tourism," and "agriculture + services," agriculture is further developed. These models provide farmers with various sources of income, transforming them from solely relying on land for sustenance to being self-sufficient. As evidenced by an article published in 2020 titled "China's Rural Leisure Tourism Industry Generates Over 850 Billion RMB in Revenue," our country's rural tourism industry has shown

promising growth, highlighting the advantages of the "agriculture +" model.

### 3. Insufficiencies in Rural Financial Policies

(I) Limited support from rural revitalization financial policies. Looking at the rural revitalization financial expenditures over the past decade, the government has been increasing its investment in rural development annually. However, this proportion has consistently remained between 9% and 10%, without any significant breakthroughs. The growth rate of investment in rural revitalization has also gradually slowed down over the past five years. There are three main reasons for this situation. Firstly, funds invested in rural revitalization have a slow effect and long cycle, making it difficult to see immediate results in the short term. This characteristic of investment leads local governments to maintain their original scale of funding for rural areas without significant changes. Secondly, local governments have limited fiscal resources as government funds are used for various aspects of society. In recent years, especially during years affected by the pandemic, economic growth has slowed down and policies on tax reduction and exemption have been implemented accordingly. Insufficient tax revenue directly affects government investment in rural areas. Thirdly, local governments face heavy responsibilities and pressures particularly in education, healthcare, and sanitation sectors where they bear absolute expenditure responsibilities. This makes it difficult to allocate more funds for greater investments in rural revitalization.

#### (II) Insufficient Allocation of Financial Resources in Rural Revitalization Policies

Firstly, the government's financial investment in talent is inadequate. Despite numerous projects aimed at bringing talents into rural areas, such as the "College Student Village Officials" and "Three Supports and One Assistance" programs, the government still lacks a comprehensive mechanism to retain talents in rural regions. As a result, it becomes difficult to attract and retain talents, leading most of them to return to cities for further development instead of staying in rural areas. Secondly, there is insufficient financial investment by the government in rural scientific and technological advancements. The prosperity of rural revitalization heavily relies on industrial development which cannot be separated from technology. Technology can drive progress within industries and further optimize them. However, the government neglects investing in rural science and technology while allocating more funds towards administrative affairs. This imbalance leads to insufficient funding for aspects like talent cultivation, ecological preservation, cultural promotion, and scientific advancement.

#### (III) Low Precision of Financial Policy Subsidies for Rural Revitalization

By 2023, the central government will invest a total of 45.9 billion yuan in agricultural insurance premium subsidies to expand the coverage of comprehensive cost insurance and income insurance for three major grain crops. Furthermore, an additional 100 billion yuan will be allocated to increase the scale of central government subsidy funds for promoting rural revitalization, reaching a total amount of 175 billion yuan. The central government will also enhance support for revolutionary old areas, ethnic minority regions, and border areas by allocating 177 billion yuan in relevant transfer payments.

Currently, our country still adopts a "blanket-style" subsidy distribution method, which means that even non-agricultural farmers can receive subsidies. From this distribution method, it can be seen that the precision of our country's financial subsidies is insufficient and many workers have not received their due benefits.

#### (IV) Insufficient Fiscal and Tax System for Rural Revitalization

Due to the incomplete system of agricultural taxation policies in China, which are scattered across various institutional documents, it is difficult for ordinary people to find relevant legal basis and understand complex tax systems. At the same time, local government departments also face challenges in fully implementing various directives from higher authorities. This has resulted in difficulties for both tax collectors and taxpayers. Furthermore, the supporting measures related to taxation are not well-developed. The "invoice control tax" system has significant loopholes. In reality, sellers often claim that they can lower prices if no invoice is issued, which tends to persuade farmers who then purchase goods without invoices at a lower price. On the surface, this appears as a reduction in taxes paid by sellers while farmers obtain goods at a lower cost. However, this practice not only damages tax revenue but also fails to effectively implement policy objectives.

### **4. Suggestions for Improving Fiscal Policies for Rural Revitalization**

(I) Increase the level of fiscal policy support for rural revitalization. Currently, fiscal funds remain the main source of funding for rural revitalization in China. Therefore, it is necessary to increase the general public budget at the national level and enhance the proportion of funds allocated to rural revitalization within this budget. By ensuring sufficient budget allocation in the initial stage, it will be conducive to future investments in rural development. Additionally, while increasing financial inputs, it is important to leverage fiscal policies as a positive guiding force and actively promote rural projects to attract social capital investment. It may be beneficial to introduce corresponding preferential policies that encourage diversified investment mechanisms from society. This approach not only alleviates government pressure but also accelerates the pace of rural construction, creating more wealth for both rural areas and society.

(II) Improving the fiscal policy and resource allocation for rural revitalization.

First, Increase investment in talent and provide policy incentives to retain rural talents. Establish sound mechanisms and require local governments to issue clear regulations and strictly enforce them at lower levels, ensuring that rural talents no longer flow away and more external talents choose to stay and contribute to rural development. Specifically, allocate funds to collaborate with universities, develop new varieties, conduct experimental demonstrations, transform research outcomes, and provide policy support or financial assistance for those who engage in rural development.

Second, Enhance investment in technology as it is the primary productive force. The emphasis on technology should not be limited only to urban areas but also extended to rural revitalization efforts. For example, vigorously promote water-saving irrigation techniques and intensify research on

high-yield and high-quality crop varieties.

Third, Reduce government expenditure on administrative costs by streamlining administrative institutions. Whenever possible, merge tasks that can be handled by the same institution since redundant organizations inevitably waste talent resources and funding.

(III) Improve the precision of financial policy subsidies for rural revitalization. Currently, in China, subsidies in rural areas are distributed in a "blanket" manner, which hinders the improvement of precision in financial policy subsidies. This blanket distribution form allows some non-farming peasants to receive subsidies and even rely on them for their livelihoods, while agricultural large-scale households do not receive corresponding subsidies. Therefore, to enhance subsidy precision in our country, we should first change the distribution form of subsidies. Subsidies should focus on agricultural households that have a driving effect on rural revitalization and provide encouragement and support to them, thus helping to boost villagers' enthusiasm for farming. Additionally, differentiation can be made based on subsidized products and recipients. We should adhere to the principle of prioritizing green boxes with yellow boxes as supplementary measures. At the same time, we need to strengthen the comprehensive effects of financial policies for rural revitalization by adjusting government expenditures and revenues from different perspectives.

(IV) Improving the tax system of rural revitalization financial policies and establishing a comprehensive legal framework for rural revitalization taxation will help both tax authorities and taxpayers have clear guidelines. The complete compilation of tax policies should be widely publicized and implemented by local governments' tax departments, distributed to townships or organized activities to assist farmers in learning and understanding the relevant content. Utilizing new media platforms such as popular short videos can be an effective way to promote awareness. Additionally, organizing educational campaigns by tax departments at the grassroots level is also crucial in helping farmers better comprehend preferential tax policies.

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