

Original Paper

Advancing China's Green Tax System: Development and Enhancement Strategies

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Abstract

This study discusses the establishment and improvement strategies of China's green tax system. Firstly, it proposes improving the green tax policy framework, clarifying policy objectives, encouraging environmentally protective behavior, and enhancing policy implementation through ecological compensation mechanisms and public participation. It emphasizes strengthening the capacity for tax collection and enforcement, improving the professional level of tax personnel through training and technological means, and enhancing cross-departmental cooperation. It promotes public participation and social supervision, enhances public awareness of environmental protection, and establishes a supervision mechanism. Additionally, it advocates for strengthening international cooperation and learning from internationally advanced experiences to promote the globalization of green tax policies, providing systematic strategic recommendations for the development of China's green tax system.

Keywords

Chinese green tax system, establishing model, refining strategies

1. Introduction

As global environmental issues become increasingly severe, the promotion of sustainable development has become an important task that all countries face. As the largest carbon emitter in the world, China faces an urgent need to transform its economic development model. It is essential for the country to establish and improve its green tax system as a means to promote effective resource utilization and environmental protection. Green taxation is not only an important means to achieve ecological civilization, but also a key measure to optimize the economic structure and improve the quality of life. In recent years, China has gradually established a green economic system, leveraging taxation as a tool through the implementation of policies such as environmental protection taxes and resource taxes. Deeply studying the establishment and improvement of China's green tax system will not only help to

effectively address environmental challenges but also promote high-quality economic development and the sustainable progress of society. This paper starts with the definition, current situation, and existing problems of the green tax and discusses how to further improve China's green tax system.

2. China's Green Tax System

The Chinese green tax system aims to promote sustainable development and facilitate the coordination between environmental protection and economic growth. This system employs a series of tax policies designed to encourage both enterprises and individuals to adopt environmentally friendly practices, thereby reducing resource consumption and pollution emissions. The green tax system primarily encompasses environmental protection taxes, resource taxes, and various tax incentives related to energy conservation and emissions reduction. The environmental protection tax was officially implemented in 2018, replacing the previous pollutant discharge fee system. This tax specifically targets emissions of sulfur dioxide, nitrogen oxides, particulate matter, and other pollutants. Its objective is to utilize economic instruments to incentivize enterprises to reduce pollution levels. The resource tax is levied on the extraction of mineral resources, promoting their rational utilization and protection (Wang, 2024). At the same time, the government encourages the use of clean energy and the development of green technologies through tax reduction and exemption policies. For instance, there are tax incentives for purchasing new energy vehicles, as well as tax reductions for green buildings and renewable energy projects. Additionally, China actively promotes the construction of ecological civilizations by implementing an ecological compensation mechanism that guides local governments and enterprises in prioritizing ecological protection through fiscal policies. Overall, the green tax system in China not only contributes to improving environmental quality and enhancing resource utilization efficiency but also provides robust fiscal and tax support for the development of a green economy, thereby facilitating the achievement of socially sustainable development goals. As policies continue to be refined, the role of the green tax system is expected to become increasingly significant.

3. Current Status of the Development of the Green Tax System in China

3.1 Environmental Protection Tax

The environmental protection tax is a crucial component of China's green tax system, officially implemented on January 1, 2018. This tax primarily targets enterprises that discharge air pollutants, water pollutants, and solid waste. Its objective is to promote environmental protection and pollution reduction through economic incentives. The collection standards for the environmental protection tax are directly linked to the pollution emissions of enterprises; higher emission levels correspondingly lead to increased tax liabilities. This measure effectively incentivizes companies to adopt proactive environmental protection strategies. Following the implementation of the environmental protection tax, there has been a notable improvement in China's environmental governance standards. Many enterprises have begun to actively invest in pollution control facilities, thereby reducing pollutant

emissions and subsequently lowering their tax burdens. Moreover, the revenue generated from the environmental protection tax is allocated to projects focused on environmental conservation and ecological restoration, thereby enhancing the sustainability and effectiveness of this policy. However, inadequate regulation by certain local governments regarding corporate pollution emissions has resulted in the actual effect of the environmental tax collection falling short of expectations. The trade-off that enterprises face between tax burdens and investments in environmental protection may also influence their enthusiasm for environmental protection. It is essential to further strengthen the oversight and enforcement of the environmental protection tax to ensure its role in promoting green development and advancing ecological civilization becomes more pronounced.

3.2 Green Tax System

The green taxation system refers to a series of tax policies established by the state to promote ecological environmental protection and sustainable development. Within this framework, key economic indicators such as green tax revenue, the proportion of green taxes in total tax revenue, and the share of green taxes in GDP serve as important metrics that effectively reflect the level of environmental protection within a country or region. The increase in green tax revenue directly indicates the government's enhanced financial support for environmental protection and sustainable development. Revenue from various green taxes, such as environmental protection tax, resource tax, and carbon tax, is allocated to ecological restoration, pollution control, and the advancement of renewable energy. This allocation can foster greater attention and investment from all sectors of society towards environmental conservation. For example, in recent years, the collection of environmental protection taxes in our country has steadily increased. This trend reflects the government's emphasis on environmental governance and encourages enterprises to enhance their awareness of environmental protection. The proportion of green tax revenue within total tax income provides a clear indication of the share of environmentally related funds in national fiscal revenue (Liu & He, 2023). An increase in this proportion signifies the growing importance of environmental taxes within the structure of national taxation, which facilitates greater financial investment into the field of environmental protection and fosters a positive fiscal cycle. At the same time, this may also encourage more enterprises to engage in green production and innovation, thereby promoting the economic transition towards sustainability. Likewise, the proportion of green tax revenue within GDP serves as a key indicator for assessing the level of green economic development in a country or region. A higher proportion indicates that the environmental protection industry is increasingly significant within the economy, reflecting a coordinated development between economic growth and environmental conservation. With China's growing emphasis on green development, the share of green taxes in GDP has gradually increased. This not only reflects an optimization of the economic structure but also represents a societal consensus and pursuit of sustainable development.

3.3 Corporate Income Tax

Corporate income tax is a type of tax levied on the profits of enterprises, primarily aimed at contributing to national fiscal revenue and promoting economic development. According to China's *Enterprise Income Tax Law*, this tax applies to various types of enterprises, including domestic enterprises, foreign-invested enterprises, and branches or representative offices of foreign entities within China. The object of corporate income tax assessment is the taxable income of enterprises, which is defined as the amount remaining after deducting allowable costs, expenses, and losses from the revenue generated within a specific accounting period. In China, the standard corporate income tax rate is 25% (Wang, 2023). To promote the development of certain specific industries and regions, the government has established various preferential tax rates. For instance, qualifying small and micro-profit enterprises may benefit from reduced tax rates, while certain high-tech enterprises may lower their tax rate to 15%. Furthermore, businesses investing in specific regions like the western area or industries such as renewable energy and environmental protection often receive various tax incentives from the government to promote balanced economic development.

3.4 Value Added Tax

Value added tax (VAT) is a consumption tax levied on the value added to goods and services, widely implemented across the globe and serving as one of the primary sources of revenue. The fundamental principle underlying VAT is that it targets final consumption as its object of taxation, employing a chain-based collection mechanism that effectively mitigates the risk of double taxation. The taxpayers of VAT include producers, wholesalers, and retailers. Any enterprise or individual that generates added value through the sale of goods or the provision of services is required to pay this tax. The VAT paid by enterprises when purchasing raw materials is referred to as input tax, which can be deducted when calculating the amount of tax payable. Conversely, the VAT collected during the sale of goods or services is known as output tax. In China, the VAT system is structured into four tiers: a 13% rate applies to essential consumer goods such as agricultural products and public transportation; a 9% rate is designated for necessities like water, electricity, and gas; a 6% rate pertains to the service industry; and a 0% rate is implemented for exported goods, aimed at encouraging exports and enhancing international competitiveness. The VAT serves not only as a significant source of revenue for the national treasury but also plays a crucial role in guiding market behavior through adjustments in tax rates and policies, thereby promoting the development of specific industries. The design of this VAT system contributes to enhancing social equity and reducing the tax burden associated with market transactions, which in turn stimulates consumption and promotes economic growth. With the advancement of sustainable development principles, the integration of VAT with environmental protection and green economy initiatives has become increasingly pronounced. The government can encourage the development of the environmental protection industry through tax incentive policies, thereby promoting a transition of the economy towards a greener and more sustainable direction.

4. Establishment and Improvement Strategies for China's Green Tax System

4.1 Enhancing the Framework of Green Tax Policies

The primary step in establishing and refining China's green tax system is to construct a scientifically sound and reasonable policy framework. This framework should not only clarify the fundamental concepts, objectives, and scope of green tax but also formulate corresponding laws and regulations to ensure the effectiveness and operability of tax policies (Chen, Zhang, & Wang, 2024). The policy objectives should focus on environmental protection and resource conservation, encouraging both enterprises and individuals to adopt environmentally friendly technologies and sustainable development models. To achieve this, policymakers must conduct an in-depth analysis of the root causes of current environmental issues in order to formulate tax policies that effectively address these challenges. Imposing an environmental tax on polluting enterprises can incentivize them to reduce their emissions. This approach not only provides financial support for environmental protection but also creates economic incentives that encourage companies to actively pursue transformation. At the same time, for enterprises that utilize clean energy, tax reduction measures can be implemented to lower their operational costs and encourage more companies to engage in green investment and technological innovation. For instance, providing tax incentives for businesses that use renewable energy sources such as solar and wind power can effectively promote the widespread adoption of clean energy. It is essential to regularly evaluate the implementation effects of green tax policies, analyzing their impact on both corporate and individual behaviors to ensure alignment with the objectives of sustainable development. Such evaluations not only assist policymakers in identifying shortcomings within the policies but also enable timely adjustments to address emerging environmental challenges. The ecological compensation mechanism effectively integrates environmental protection with economic development, ensuring a balanced consideration of interests among all stakeholders. Through this mechanism, the government can provide compensation for ecological and environmental protection efforts, thereby incentivizing local governments and enterprises to place greater emphasis on the preservation of the ecological environment and promoting the comprehensive development of a green economy. By enhancing the transparency of policies and increasing public participation, it is possible to improve both the recognition and implementation of these policies. For instance, opinions from various sectors of society can be gathered through public consultations and hearings, ensuring that citizens' voices are adequately considered during both the formulation and execution phases of policy-making. This approach ultimately enhances the credibility of governmental policies.

4.2 Enhancing Tax Collection and Implementation Capabilities

The effective operation of a green tax system relies on robust administration and implementation capabilities. To this end, governments at all levels must enhance the capacity building of tax authorities, improving their professionalism and technical expertise in the field of green tax to ensure the effective implementation of policies. Tax personnel not only need to master traditional tax knowledge but should also gain a deep understanding of the fundamental principles of environmental economics and

ecological taxation. This can be achieved through regular training sessions, seminars, and field visits, which will enhance tax professionals' capabilities and competencies in the formulation, implementation, and evaluation of green tax policies. Regular training, seminars, and field visits can improve their ability to formulate, implement, and evaluate green tax policies. Moreover, a comprehensive knowledge-sharing mechanism is crucial for facilitating the exchange of experience between seasoned tax experts and newcomers, thereby promoting an overall improvement in professional standards. The application of technological means, such as big data and cloud computing, can effectively support the precise management of green tax. By establishing an environmental enterprise information database, tax authorities at all levels can monitor and assess pollution emissions and resource consumption in real-time. For example, using Internet of Things technology, enterprises can automatically collect emission data and use data analysis to monitor their environmental performance continuously. This approach increases data collection efficiency and ensures the fairness and transparency of tax policies. Each level of government should enhance interdepartmental collaboration to form a concerted effort to promote the implementation of green tax. Green tax encompasses multiple domains, including environmental protection, tax administration, and economics; thus, the efforts of a single department are often insufficient to achieve the desired outcomes. Therefore, governments at all levels can establish cross-departmental working groups and hold regular joint meetings to collaboratively address the challenges encountered during the implementation of green tax. In the process of policy implementation, it is essential to conduct regular evaluations of the effectiveness of the policies. By utilizing data analysis and public feedback, we can identify shortcomings in the practical application of these policies. Based on the evaluation results, timely adjustments and optimizations should be made to enhance their specificity and operability. This mechanism not only improves the efficiency of policy execution but also strengthens public recognition and engagement with green tax policies.

4.3 Promoting Public Participation and Social Supervision

The establishment and improvement of a green tax system necessitate extensive participation from all sectors of society, particularly active involvement and effective oversight by the public. To achieve this objective, it is imperative for the government to proactively disseminate knowledge related to green tax, thereby enhancing public awareness of environmental protection and encouraging greater engagement in these initiatives. Through various promotional activities, such as public forums, seminars, and training sessions, it is possible to effectively disseminate the concepts and policies related to green tax. Additionally, these initiatives encourage active suggestions and feedback from all sectors of society, thereby fostering a positive, interactive mechanism. The public's participation should not be limited to merely obtaining information; rather, it is essential for them to engage in the formulation and implementation of policies through concrete actions (Tan, Lu, H. Cui, et al., 2023). The government should establish feedback channels that facilitate the public's expression of opinions and suggestions regarding green tax policies. This approach not only enhances the transparency of these policies but also renders them more inclusive and targeted. At the same time, it is essential to establish and improve

mechanisms for public supervision, encouraging the participation of social organizations, non-governmental organizations, and volunteers in overseeing and evaluating green tax policies. The involvement of these supervisory bodies can facilitate effective monitoring of the policy implementation process, ensuring transparency and fairness in tax policies. This approach will ultimately enhance public trust and support for such policies. The formation of a positive atmosphere, characterized by collective participation and promotion from the entire society, is essential. This atmosphere not only enhances public understanding and recognition of the green tax system but also motivates more enterprises and individuals to actively engage in environmental protection initiatives, thereby fulfilling their social responsibilities.

4.4 Strengthening International Cooperation and Learning from Experience

In the context of globalization, environmental issues transcend national boundaries. Therefore, establishing a comprehensive green tax system necessitates drawing on international experiences and enhancing international cooperation. China should actively engage in international environmental governance mechanisms by learning from and adopting successful practices in the field of green tax implemented by other countries, thereby promoting the improvement of its domestic green tax system. For instance, the carbon trading mechanisms and environmental tax policies implemented by the European Union can serve as valuable references. By employing a tax approach on pollutants, these measures incentivize enterprises to reduce emissions, thereby facilitating the transition of the economy towards a low-carbon model. Moreover, it is imperative to engage in exchanges and collaborations with other countries and regions in the field of green tax. This includes sharing experiences related to policy design, implementation outcomes, and technological innovations in order to identify best practices and effective solutions. China can establish bilateral or multilateral cooperation mechanisms with other countries to conduct joint research and project collaboration, collectively exploring the innovation and implementation of green tax policies. Promoting the coordination of global green tax policies on international platforms will contribute to the formation of unified policy standards, thereby reducing friction and conflicts among countries during the implementation process and ultimately facilitating the achievement of sustainable development goals. It is essential to enhance dialogue and communication with the international community at international conferences, forums, and similar venues. This will allow us to share our experiences and achievements in the implementation of green tax policies while also learning from the advanced practices of other countries (Wang & Fan, 2024). By incorporating international best practices, we can improve the scientific rigor and effectiveness of our green tax policies, thereby further strengthening corporate environmental awareness and social responsibility. International cooperation can also assist our country in forming a collective effort in the field of green taxation, thereby promoting the shared development of the global green economy. By strengthening collaboration with developed countries, our nation can not only draw on their established green tax systems but also receive support in areas such as technology transfer and financial assistance, providing a solid foundation for achieving ecological civilization construction goals.

5. Conclusion

This study provides a comprehensive analysis of the strategies for constructing a green tax system in our country. It concludes that enhancing the policy framework, strengthening tax administration capabilities, promoting public participation, and fostering international cooperation are crucial elements. These strategies contribute to advancing environmental protection and sustainable economic development, offering both theoretical support and practical pathways for improving our green tax system. Looking ahead, the continuous optimization of the green tax system will be an essential measure for achieving ecological civilization construction.

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