

## *Original Paper*

# Research on Issues and Countermeasures Regarding Fiscal and Tax Policies Promoting China's Green and Low-Carbon Development

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### ***Abstract***

*Green and low-carbon development is the fundamental solution to ecological and environmental challenges, and the essential path to achieving high-quality development. As a key economic tool of government, fiscal and tax policies serve as vital support for advancing green and low-carbon development, playing a significant guiding role in promoting ecological and environmental improvement, facilitating green and low-carbon transformation, and advocating for low-carbon lifestyles. This article examines how fiscal and tax policies promote China's green and low-carbon development. It analyzes current challenges in policy implementation, including imbalances in the government-market boundary, the need to enhance the adaptability of green investment and financing systems, imperfections in the tax structure for green and low-carbon development, and the limited guidance function of government green procurement. Based on this analysis, targeted countermeasures are proposed to refine green fiscal and tax policies and propel high-quality economic and social development.*

### ***Keywords***

*Fiscal and Tax Policies, Green and Low-Carbon Development, Challenges, Countermeasures*

Against the backdrop of intensifying global challenges such as climate warming, resource scarcity, and ecological pressures, advancing green and low-carbon development has become a shared consensus and action among nations worldwide to address environmental and resource issues while promoting sustainable progress. As the world's largest developing country and top energy consumer, China has steadfastly pursued a green and low-carbon development path, explicitly committing to peak carbon dioxide emissions by 2023 and striving to achieve carbon neutrality by 2060. To achieve these objectives, China is actively exploring practical pathways. For instance, in July 2024, the Central Committee of the

Communist Party of China and the State Council issued the “Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development.” This document explicitly emphasizes the need to actively establish a fiscal and tax policy framework conducive to promoting green, low-carbon development and efficient resource utilization, providing clear directional guidance and policy principles for China’s green, low-carbon development. Based on this, this paper delves into the challenges fiscal and tax policies face in promoting China’s green and low-carbon development and explores specific countermeasures to help accelerate the realization of carbon neutrality and lay a solid foundation for building a Beautiful China.

## **1. Issues in Fiscal and Tax Policies Promoting China’s Green and Low-Carbon Development**

### *1.1 Imbalance in the Boundary Between Government and Market in Fiscal and Tax Policies*

In the practice of promoting China’s green and low-carbon development, fiscal and tax policies still face an imbalance in the boundary between government and market, directly constraining the improvement of green and low-carbon development quality. First, excessive government intervention leads to market mechanism failure. Fiscal and tax policy formulation must closely align with market realities. However, some local governments may neglect market assessments and lack a clear grasp of market mechanisms and their functions, often resulting in excessive administrative dominance in areas such as green industries and low-carbon project development. For instance, while subsidies for the new energy industry aim to drive energy structure transformation and sustainable industrial development, some governments may blindly expand the scope and intensity of subsidies without market consideration. This leads to some enterprises developing a mindset of subsidy dependency, resulting in insufficient motivation for technological innovation and market competition. Second, market failures are not promptly addressed by government intervention. While markets play a decisive role in resource allocation, externalities, public goods, and information asymmetry can cause market failures. This necessitates effective government action. However, some local governments fail to introduce timely and effective fiscal and tax policies to guide and incentivize investment, resulting in insufficient funding in relevant sectors and hindering the maintenance of market order for green and low-carbon development.

### *1.2 The Adaptability of the Green Investment and Financing System Needs Improvement*

Green and low-carbon development is driven by technological innovation and encompasses multiple domains, including new energy project construction, low-carbon technology R&D and promotion, and the green transformation of traditional industries. This requires substantial financial support. However, the current green investment and financing system lacks sufficient adaptability and struggles to meet the funding demands of green and low-carbon development (Shen & Gao, 2025). First, green financing channels remain relatively limited. Existing green financing heavily relies on indirect methods like bank loans, while direct financing options such as equity financing and bond financing remain underdeveloped. Furthermore, the variety of green financial products available is limited, failing to meet the diverse financing needs of different market entities during the green transition process. Second, green investment

and financing incentive mechanisms remain underdeveloped. While governments and financial institutions have introduced policies such as green credit subsidies, green bonds, and tax incentives to support low-carbon green development, these measures face practical challenges. Their coverage is limited, the incentives are insufficient, and implementation processes are often cumbersome with inefficient review procedures. Consequently, these policies struggle to effectively mobilize financial institutions and social capital to participate in green investment and financing.

### *1.3 The Tax Structure for Green and Low-Carbon Development Requires Optimization*

Taxation, as a crucial lever for regulating economic and social development, plays a unique role in promoting green and low-carbon development. However, the current green tax structure still requires further optimization. First, the green tax system is incomplete. China's green taxation system currently centers on the Environmental Protection Tax, supplemented by related taxes such as the Resource Tax, Consumption Tax, and Value-Added Tax. While the range of tax categories is relatively broad, the lack of detailed differentiation in the functional scope of each tax type results in ineffective coordination among them, severely limiting the overall regulatory reach of green taxation. Second, the green orientation of some tax types is not sufficiently pronounced. Take the resource tax, for example. Its scope primarily targets mineral resources and salt, lacking coverage of ecological resources such as timber, land, and water resources. This makes it difficult for the tax to provide quality services for green and low-carbon development. Additionally, some green tax policies emphasize universal reductions and exemptions, lacking targeted support for specific green and low-carbon sectors or specific market entities. This results in a narrow scope of policy benefits, affecting the overall progress of green and low-carbon development.

### *1.4 Limited Effectiveness of Government Green Procurement Guidance*

The limited effectiveness of government green procurement guidance remains a significant challenge hindering the role of fiscal and tax policies in promoting China's green and low-carbon development. First, the scope of green procurement is relatively narrow. Current government green procurement catalogs cover a limited range of products and services, primarily focusing on energy-saving and environmentally friendly products, new energy sectors, and similar areas. They lack sufficient depth in emerging green fields such as green buildings, green building materials, and low-carbon services, thereby failing to fully stimulate the development of related green industries (Zhao & Li, 2025). Second, the green procurement standards system requires improvement. In current government green procurement practices, unified and explicit standards have not been established for the procurement of certain green products. This makes it difficult for relevant personnel to accurately define the scope of green products and services during the procurement process, directly affecting the implementation effectiveness of green procurement policies and ultimately limiting their guiding role. At the same time, some local governments lack effective oversight of green procurement implementation. This leads to some procurement personnel not strictly adhering to relevant regulations when executing green procurement policies, resulting in suboptimal implementation outcomes.

## **2. Policy Measures for Fiscal and Tax Policies to Promote China's Green and Low-Carbon Development**

### *2.1 Clarifying Responsibilities to Drive Synergistic Efforts Between Government and Market*

To fully leverage the guiding role of fiscal and tax policies in green and low-carbon development and effectively implement measures supporting and promoting environmental sustainability, it is essential to pursue a dual-pronged approach that better integrates effective government with an efficient market. On one hand, standardize government intervention to prevent overreach. The more regulated government actions are, the more effective market forces become. Therefore, governments should dynamically adjust fiscal and tax policy priorities based on market realities in green and low-carbon development. Key focuses include fostering fair and orderly market competition and stimulating endogenous motivation for green transformation among all market entities. Administrative interference in microeconomic activities should be minimized, and unnecessary administrative enforcement matters streamlined. By fully leveraging the decisive role of the market in this manner, sufficient space for autonomous adjustment and innovative development is reserved for market entities advancing green transformation practices. For instance, in the realm of green industry subsidies, the government should promptly phase out unreasonable subsidy standards and establish a market-oriented subsidy exit mechanism to drive enterprises to strengthen their independent innovation capabilities and market competitiveness. On the other hand, the government must reinforce its macro-control functions to avoid functional gaps. The government should focus on key areas and weak links in green and low-carbon development—such as green and low-carbon public infrastructure construction, R&D breakthroughs in advanced low-carbon technologies, and ecological environment governance and restoration—by continuously increasing fiscal investment. Through targeted and differentiated policy tools like tax incentives and fiscal interest subsidies, it should guide social capital to widely engage in green and low-carbon practices, gradually forming a green and low-carbon development pattern where government fiscal policies and social capital synergize. Furthermore, the government must accelerate the improvement of market regulatory mechanisms in the green and low-carbon sector, clearly defining the green baseline for corporate production and operations. By implementing restrictive fiscal and tax measures—such as revoking tax incentives, imposing environmental taxes, and withholding fiscal support—it can solidify the institutional and fiscal foundations for green and low-carbon development.

### *2.2 Establishing a Sound Green Investment and Financing System*

Green investment and financing serve as a crucial pillar and driving force for green and low-carbon development, guiding capital flows to promote economic restructuring and sustainable transformation. Therefore, in advancing green and low-carbon development through fiscal and tax policies, governments should establish and improve green investment and financing systems, continuously enhancing their alignment with green and low-carbon development objectives (Qi, Lin, & Zheng, 2023). On one hand, green financing channels should be broadened. Governments can focus on green enterprises in sectors such as energy conservation, environmental protection, new energy, and carbon reduction technologies.

They should establish green channels for listing and stock exchange registration, streamline listing review processes, create dedicated review pathways, shorten review cycles, and stimulate the production enthusiasm of green enterprises. Simultaneously, governments should strengthen refinancing support for green enterprises by reasonably relaxing restrictions on eligible green listed companies issuing additional shares or conducting rights offerings, simplifying financing review procedures, and encouraging enterprises to prioritize allocated funds for green and low-carbon project operations and upgrades. For the green transformation of traditional high-energy-consuming enterprises, governments should also permit them to raise transition funds through private placements and include such enterprises within the scope of green financing support, thereby driving all industries toward green and low-carbon development. On the other hand, green investment and financing incentive mechanisms should be refined. Governments can enhance tax policy preferences for green financial institutions, implementing targeted differentiated support measures such as tax reductions and fiscal interest subsidies for green credit operations like energy conservation, environmental protection, and new energy. This reduces operational costs for green lending and boosts institutions' intrinsic motivation to serve green industrial development. Governments can also establish market-based green investment and financing risk compensation funds, clarifying fund raising, management, and compensation procedures. Targeted compensation should be provided for green and low-carbon projects that align with national green industry catalogs and demonstrate significant emission reduction benefits. This approach reasonably shares credit risks among financial institutions, addresses the challenges of financing difficulties and high costs for green projects, and activates market entities' motivation for green development.

### *2.3 Optimizing the Tax System to Strengthen Support for Green and Low-Carbon Development*

A green tax system is not only a vital component of the ecological civilization institutional framework but also a key driver for achieving strategic goals of carbon peaking and carbon neutrality, as well as advancing the Beautiful China initiative. To address structural issues within the tax system that have emerged during the implementation of fiscal and tax policies to promote green and low-carbon development, the government should clearly recognize the importance of a green tax system. It should continuously advance the refinement of the tax framework, fully leverage the regulatory role of taxation, and provide robust support and safeguards for building a Beautiful China (Yi, 2025). On one hand, establish a multidimensional green taxation system. Building upon existing green tax categories, the government should steadily broaden the scope of environmental taxation, actively incorporating key indicators such as carbon emissions and carbon footprints into the tax base. Simultaneously, implement tiered differential tax rates based on pollutant emission intensity and carbon output, leveraging tax incentives to regulate corporate carbon emissions and enhance voluntary reduction efforts. Concurrently, governments should deepen resource tax reforms and optimize consumption tax structures—such as scientifically adjusting resource tax rates to reflect resource scarcity and ecological value through differentiated tax pricing, thereby guiding rational development and efficient utilization of ecological resources. In the consumption sphere, governments should adopt a dual-pronged approach: raising

consumption tax rates on high-pollution, energy-intensive products while offering tax incentives for green, low-carbon goods. This creates a two-way regulatory mechanism—constraining high-carbon activities and incentivizing low-carbon choices—to drive corporate production and public consumption toward greener, lower-carbon pathways. On the other hand, synergistic regulation of green taxes must be strengthened. To achieve this, the government needs to clarify the regulatory focus and practical scope of various green taxes—such as the Environmental Protection Tax emphasizing constraints on pollution emissions, the Resource Tax anchoring the development control of ecological resources, and the Consumption Tax focusing on consumption guidance—to enhance coordination among green taxes. This will form a green tax regulation system covering the entire chain of production, circulation, and consumption. Simultaneously, the government should establish a coordinated linkage mechanism between green taxation and supporting policies such as fiscal subsidies, green finance, and administrative oversight. By leveraging multiple approaches, this will achieve complementary advantages in fiscal and tax policies, enhancing the overall regulatory effectiveness of green and low-carbon development policies.

#### *2.4 Improving Procurement Systems to Unlock Guiding Potential*

As a key component of aggregate social demand, government green procurement not only directly drives green and low-carbon development but also sets green benchmarks across society, serving as a model and leader. Building upon fiscal and tax policies that promote green and low-carbon development, governments must rigorously standardize their own green procurement practices to fully leverage their guiding role. On one hand, accelerate the development of specialized legislation for government green procurement. Governments should adopt legal measures such as enacting specialized administrative regulations, establishing supporting procurement management systems, and refining implementation norms. This will clarify the rights and responsibilities of procurement entities, standardize the entire procurement process, and define execution standards, thereby providing institutional safeguards for the routine and standardized implementation of green procurement (Ma, 2022). Simultaneously, governments must develop precise procurement standards for low-carbon products—such as green and low-carbon technologies and energy-saving equipment—tailored to actual green and low-carbon development needs. Key indicators including energy efficiency, environmental performance, carbon footprint levels, and resource recycling should be integrated into government green procurement evaluation systems to ensure these policies are effectively implemented. On the other hand, a comprehensive oversight system for the entire government green procurement process must be established to reinforce accountability. The government should designate procurement officers as the primary responsible parties for implementing green procurement policies, integrating green procurement requirements into internal control systems. Furthermore, the performance of relevant personnel in supporting green and low-carbon development should be incorporated into the mandatory assessment metrics for government procurement oversight and budget performance management, thereby driving enhanced awareness of green and low-carbon development among stakeholders. Furthermore,

governments must enhance the breadth and depth of procurement information disclosure. Adhering to the principle of disclosing only what should be disclosed, they should proactively publish information such as green procurement catalogs, project bidding processes, selection criteria, transaction results, and acceptance reports through platforms like WeChat official accounts and official websites. This approach safeguards the public's right to know and supervise, advances the standardized development of government green procurement, and serves as a demonstration effect. It guides the public and enterprises to consciously practice green and low-carbon development concepts.

### 3. Conclusion

In summary, promoting green and low-carbon development is an intrinsic requirement for achieving the dual carbon goals and fostering high-quality economic and social development in the new era, with fiscal and tax policies playing a pivotal role. To fully unleash the efficacy of fiscal and tax policies, the government must confront existing challenges in their application for green and low-carbon development. By clarifying the boundaries of governmental and market responsibilities, strengthening the enabling role of green investment and financing policies, refining green tax system design, and improving government green procurement systems, the government should continuously enhance the green fiscal and tax policy framework to actively pioneer new frontiers in China's green and low-carbon development.

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