



# Research on Tax Preference of Ethnic Minority Areas in China under the Background of Rural Revitalization

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**Abstract.** The contradiction between the ever-growing needs of the Chinese people for a better life and unbalanced and inadequate development is particularly acute in areas that are still underdeveloped in economic development at present. On the premise that China is still in the primary stage of socialism and will remain so for a long time to come, implementing the rural revitalization strategy is the cornerstone to ensure the stable development of the country and the prosperity and rejuvenation of the nation. As a unified multi-ethnic country, China's ethnic minorities are mostly distributed in Inner Mongolia, Xinjiang, Ningxia, Guangxi and other economically underdeveloped inland provinces. After years of unremitting efforts in targeted poverty alleviation and poverty alleviation. By 2020, the poverty rate of ethnic minorities in all provinces and autonomous regions in China had dropped to less than one percent, and some of them had even completed the task of poverty alleviation. Preferential tax policies in minority areas are playing an important role. However, the new development node also brings new requirements and challenges. In recent years, the local economy of ethnic minorities, which was already fragile due to the COVID-19 pandemic, has been hit again and again. Therefore, the first priority is to ensure that people who have been lifted out of poverty do not return to poverty. The second is to shift from poverty management to rural revitalization and the focus of economic development from speed to quality. All these have put forward new requirements for improving the tax preference system in China's minority areas.

**Keywords:** Rural revitalization. China's ethnic minorities. Tax preference. Economic development

## 1 Introduction

### 1.1 The political system of minority areas in China

China practices regional ethnic autonomy, in which all ethnic groups enjoy full autonomy in areas where ethnic minorities live in compact communities. Due to the low level of culture, the development of urbanization and political system in the minority areas is relatively backward. The specific performance is that all kinds of laws and regula-

tions are not perfect enough, which can not promote the regional economic development stably. And the backward level of regional economic development will lead to the outflow of talents. The development of political system and various laws and regulations in ethnic minority areas requires a large number of professional and excellent people to constantly study and improve and promote them according to the local actual conditions. However, the political system in ethnic minority areas is not perfect and cannot effectively guarantee the rapid and stable development of the economy. Therefore, The central government of China should strengthen and perfect the supporting system of ethnic regional autonomy, and increase the perfection of laws and regulations in ethnic minority areas, so that the overall development of ethnic minority areas will turn into a virtuous circle.

## **1.2 The religious culture in minority areas of China**

Due to the influence of deep-rooted traditional culture, religious belief and imported culture, some minority areas have developed extremely backward ethnic culture which seriously affects the economic development of minority areas under the condition of autonomy. Some cultures even promote their own national superiority and provoke antagonism. On the one hand, these backward and harmful religious cultures will destroy the harmony and stability of the country. On the other hand, they also seriously restrict the local communication with the outside world and economic development. In addition to these, there are many excellent cultures in minority areas that are worth promoting and protecting. It can help to drive local economic development if it's used properly.

## **1.3 The economic development of ethnic minority areas in China**

Due to the weak foundation of economic development in China's ethnic minority areas and their remote geographical location, the economic radiation from developed areas such as the southeast coast is very limited. So the level of regional economic development is relatively low. At present, the economic performance types of minority areas are mainly catering industry, handicraft industry and tourism. Some ethnic minorities have their own characteristic economic types such as Mongolian herding. China has provided a great deal of financial and technical support every year to promote the economic development of minority regional areas however the disparity with the economical developed areas still exists. The outflow of labor and talented people has also widened the gap. Ethnic minority areas should actively look for the possibility of economic development and the government should also increase the support to them according to the actual situation of each area. In recent years, the COVID-19 pandemic has greatly impacted the development of various industries in ethnic minority areas and caused a serious negative impact on the economic development of regions where the tertiary industry accounts for a large proportion.

## **1.4 The status quo of tax preference in ethnic minority areas in China**

According to different tax objects, tax preferences in minority areas of China can be roughly divided into five types: income tax, turnover tax, resource tax, property behavior tax and special purpose tax. Among them, the preferential tax policies related to income tax have brought the most tax dividends to the minority areas. The representative ones are tax preferential policies related to the western development strategy. Turnover tax is a tax on the circulation of goods. Turnover tax is the mainstream tax in minority areas like in other areas of China. And value added tax is one of the main part, so most of the related tax preferential policies have universal benefits. Due to the geographical location of minority areas, most of the natural resources are relatively remote and the degree of man-made transformation and damage is low. Therefore, resource tax is particularly important in the process of balancing development and protecting the local natural environment. Its beneficiaries are mainly local engineering and construction companies. Property behavior tax mainly includes deed tax and stamp duty. The preferential policies for property behavior tax also mainly include the above taxes. The preferential tax policies of specific purpose tax are mainly set up for the local development of ethnic minority areas, including all aspects of specific strategic direction in specific periods.

China's preferential tax policies in minority areas mainly benefit local enterprises. Although the local enterprises of ethnic minorities are vital to their economic development, they are limited by the level of local economic development and geographical location. Therefore, it is difficult to develop and maintain in a healthy way, which requires great support from the state. Under the background of rural revitalization strategy, preferential tax policies help the development of enterprises in minority areas from many aspects, such as promoting infrastructure construction, agricultural development and employment. The ultimate goal of these measures is to help local enterprises develop and thus inject vitality into their economic development. Among the specific preferential tax policies, the tax reduction policies that minority areas can enjoy in accordance with the specific conditions include corporate income tax and individual income tax. The tax exemption policies that meet specific conditions enjoyed by ethnic minority areas include value-added tax, corporate income tax, personal income tax, deed tax, resource tax, property tax, stamp duty and urban land use tax.

## **2 Problems**

### **2.1 The tax preferential policies of minority areas in China are not targeted enough**

First, the preferential tax policies currently enjoyed by ethnic minority areas are often not much different from those in other areas. Most minority areas are restricted by the backward level of development and their pillar industries are tertiary industries, such as tourism and catering. The unbalance of industrial structure highlights the congenital deficiency of its industrial development. The universal preferential policy cannot play

a role in targeting the advantaged resources in minority areas. For example, some regions have unique cultural resources and the current preferential tax policies can not effectively promote the local unique resources to play their maximum economic value. Second, the current preferential tax policies mainly benefit small and micro enterprises, which have little effect on promoting the long-term large-scale development of enterprises. There is no specific tax preferential policy to prevent the brain drain from ethnic minority areas for individuals. The current tax incentives are also somewhat inadequate in certain areas. All these lead to the current tax preferential policy actual benefit is not high combined with the reality of the situation.

## **2.2 The tax preferential policy of minority areas in China lacks long-term institutional guarantee**

At present, China's preferential tax policies for ethnic minority areas are mostly implemented in the form of phased laws and regulations. On the one hand, the purpose of these policies is to promote local economic development in the short term. But the preferential policies formulated from the short-term perspective may not guarantee the long-term development of the local area, and may even damage the long-term interests for the sake of short-term interests. On the other hand, due to the lack of perfect legal system for the protection of tax preferential policy, there are many problems in the actual operation and implementation process. The tax preferential policies with time limitation and many related thresholds greatly restrict the effectiveness of tax preferential policies in minority areas.

## **2.3 The tax preferential policies in China's ethnic minority areas lack order**

Short-term implementation of regulations and regulations often lack a legal basis because of the low legal priority of tax incentives. In the actual situation, the objective and content of preferential tax policies are often not clear enough, and some preferential tax policies conflict with the principles of tax law. When making relevant tax preferential policies, local governments may reduce the intensity of tax preferential policies for local governments out of consideration of their own fiscal revenue, or directly violate the fairness principle of the law and give special care to some specific groups. The formulation and implementation of policies lack corresponding supervision mechanisms. All these problems reflect that the current tax preference system for ethnic minority areas in China is still not perfect and lacks order, which leads to the existence of many factors that may affect the final results in the specific implementation process of relevant policies.

## **2.4 The law enforcement of preferential tax treatment in ethnic minority areas in China is passive**

At present, the tax preferential for ethnic minority areas in China is mainly income tax. On the one hand, it is less difficult to formulate and implement relevant policies for tax

incentives for income tax; on the other hand, it is to benefit relevant enterprises participating in the development of the western region. However, for China's vast minority areas, a single income tax preference can not effectively promote local development. Under such a premise, the minority areas need to formulate preferential tax policies for other types of taxes, including construction, natural resources protection, high-tech and other fields. The formulation of these policies will inevitably increase the difficulty of local tax work. The complex and chaotic local tax preferential system will lead to negative law enforcement by grassroots tax officials or inability to understand tax preferential policies deeply and accurately, which will bring adverse effects to the implementation of tax preferential policies.

### **3 Reforming paths**

#### **3.1 Preferential tax policies should be formulated rationally according to local conditions**

The formulation of preferential tax policies for ethnic minority areas should be based on the local actual conditions, from the perspective of long-term and sustainability, to promote the long-term benign development of local economy and protect and use of local unique resources and environment. This will fully stimulate the economic vitality of minority areas. The formulation of any policy is to serve people. It is necessary to design tax preferential policies based on individuals to attract talents under the situation that most ethnic minority areas are facing serious population loss. In some specific regions, tax incentives should be appropriately increased on the premise of not violating the principles of tax law. In the context of the rural revitalization strategy, although the overall economic development of ethnic minority areas has made important breakthroughs, some areas are still at risk of returning to poverty. It is necessary to make good use of tax incentives as a macro-control tool to consolidate local development achievements.

#### **3.2 The right to optimize tax administration in ethnic minority areas needs to be strengthened**

Ethnic minority areas have complex and distinctive ethnic cultures, and the overall industrial development is not coordinated. The tax administration power of the organs of self-government in the national autonomous areas should be fully utilized when formulating preferential tax policies. The purpose of China's adherence to the system of regional ethnic autonomy is to enable ethnic minority groups to manage themselves according to their actual conditions and arouse the initiative of local governments. It is necessary to encourage national autonomous areas to make use of their tax legislation power under the framework of the Constitution from the perspective of long-term regional development. This requires the active implementation of local management authority and fully mobilize the enthusiasm of local production development. Narrow the gap between ethnic minority areas and economically developed areas to achieve common prosperity.

### **3.3 The preferential tax system for ethnic minority areas needs to be improved**

Perfect tax preferential mechanism needs to have the law as its guarantee foundation first. Nowadays, local tax preferential policies often have problems such as short time limitation and lack of system, and even there may be contradictions between policies. In order to make tax preferential policies play an effective role in the economic construction of minority areas and coordinate industrial development, it is necessary to solve the problem of confusion in the legislative power of tax preferential policies and clarify the subject of the policy. Secondly, it is necessary to standardize the legislative authorization of tax preferential policies to ensure legal authority. Finally, it is necessary to ensure the reasonable regulation of the implementation procedure of tax preferential policies.

### **3.4 The review and evaluation mechanism of preferential tax policies in minority areas should be established**

The formulation and implementation of policies need corresponding review and evaluation mechanisms to support them. Before the formulation of preferential tax policies for ethnic minority areas, the feasibility and expected effects of the policies should be evaluated. After determining the feasibility of the policy, the subsequent specific implementation process also needs to be reviewed and evaluated, that is, the whole operation process of the policy should be supervised and evaluated. Without these processes, it is likely that local governments will not carefully weigh the demands of all parties, make public the policies, or consider the long-term benefits and potential benefits of the policies in the actual implementation process when formulating relevant tax preferential policies. In the end, tax incentives may not achieve the desired goal. Therefore, the establishment of a sound review and evaluation mechanism can ensure that ethnic minority areas benefit more effectively from preferential tax policies.

## **4 conclusions**

In order to achieve the great goal of common prosperity, China needs to pay more attention to the development status of ethnic minority areas. Make good use of preferential tax policies to boost local economic development. Since the implementation of the western development strategy, China's vast minority areas have benefited from preferential tax policies. However, on the whole, these tax incentives have not produced the desired effect in helping the local economic development. There is still much room for improvement in the formulation and implementation of preferential tax policies for ethnic minority areas.

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