Research on China's Consumption Tax Reform Based on the Perspective of Green Development

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Abstract. The concept of green development is an important part of the new development concept. As an important regulatory tax type, consumption tax is an effective means to regulate production and consumption, and it plays an important role in guiding and promoting green development. Based on the perspective of green development, this article analyzes the current problems of China's consumption tax in green development and puts forward suggestions for the construction of a green consumption tax system.

Keywords: Consumption Tax; Green Development; Tax Reform

1 Introduction

At present, the Chinese government's work reports continuously emphasize the importance of green development. At the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China, General Secretary Xi Jinping put forward the new development concept of "innovation, coordination, green, openness and sharing". The report of the 19th National Congress of the Communist Party of China clearly stated that efforts should be made to accelerate the establishment of legal systems and policy orientations for green production and consumption, and to establish and improve an economic system for green, low-carbon and circular development. The report of the 20th National Congress of the Communist Party of China further proposed to establish a socialist country featuring harmonious coexistence between humanity and nature.

Overall, green development has become an important trend in national development. As a tax type that combines both revenue and regulatory functions, the consumption tax can not only increase fiscal revenue but also demonstrate flexibility in the selection of the tax collection scope. Therefore, taking green development as the guide and optimizing the green consumption tax system is of great significance to the consumption tax regulation and green functions and achieve sustainable economic development.

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2 Literature Review

2.1 Research on the Functional Positioning of Consumption Tax

Generally speaking, consumption tax has the functions of raising fiscal revenue, regulating income distribution and protecting environment. Specifically, Pang Fengxi and Wang Luyin (2020) emphasized the function of environmental protection [1]. Zhang Deyong (2022) pointed out that in order to deepen consumption tax reform, the regulatory function should be placed in a prominent position [2]. Zhang Shouwen (2022) pointed out that with the continuous deepening of the reform of the consumption tax system, its revenue function and regulatory function have shown a pattern of one rising while the other falling [3].

2.2 Research on the Green Effect of Consumption Tax

As an effective means to regulate the development of production and consumption, consumption tax plays an increasingly important role in promoting green consumption and green development [4]. Wang Ling (2017) found that consumption tax has a certain effect on improving air pollution [5]. Xi Weiqun (2014) believed that increasing the consumption tax burden can effectively promote energy conservation and consumption reduction in petroleum processing, coking and nuclear fuel processing enterprises [6]. Li Xiangju and Zhu Danfeng (2017) found that automobile consumption tax can affect consumers' consumption choices in the short term, thereby achieving the goal of inhibiting carbon dioxide emissions [7]. Some scholars have also studied how consumption tax improves environment. Deng Jinyuan (2017) believed that consumption tax can correct negative externalities and optimize the industrial structure, so as to achieve the purpose of energy conservation and emission reduction [8]. Li Junying and Mao Xiaoyu (2024) found that consumption tax should play the role of "green taxation", and adapt to other tax laws and regulations related to environmental protection [9].

3 Problems of China's Consumption Tax from the Perspective of Green Development

3.1 The Imperfection of Green Tax Items

Among China's current consumption tax items, there are ten tax items related to environmental protection, such as motor vehicles and refined oil products. However, the vast majority of items that cause great environmental pollution have not been included. For example, products that do not conform to the concept of green consumption, such as chemical reagents and pesticides, as well as products from high-energy-consuming and high-pollution industries like the chemical and steel industries, have not been incorporated into the scope of consumption tax levy, which affects the exertion of the ecological regulatory function of the consumption tax [10]. In addition, the coverage of high-end consumer goods is not comprehensive. Luxury goods consume a lot of resources during the production process and have high maintenance costs in the later stage. Currently, the taxed high-end products only include golf balls and their equipment, high-end watches, and yachts. Moreover, some high-consumption behaviors can also have an impact on the environment, but the consumption tax does not levy taxes on such high-consumption behaviors.

3.2 The Unreasonable Design of Tax Rate

First, the tax rate for consumption tax is relatively low. For items with a low selling price, due to the low pricing and low tax rate, consumers will overlook this part of the cost and still use them, such as 5% tax on wooden disposable chopsticks. As a luxury product and high-energy-consuming product, yachts are levied at a 10% tax rate and are difficult to promote the realization of energy conservation and emission reduction. Consumers of solid wood flooring are generally high-income groups, and the tax rate of 5% is difficult for high-income groups to experience the pain of tax burden.
Second, the consumption tax rate is set too general. Take the consumption tax rate of a car as an example. The tax rate for small cars is designed by the cylinder capacity, and the tax rate is divided into seven levels. Currently, the cylinder capacity of small cars mainly consumed in the market is below 2.5 liters, but the tax rate classification of cylinder capacity below 2.5 liters is not detailed enough. This will lead to consumers choosing small cars with large cylinder capacity when prices are not large, which will have a greater impact on environmental pollution.

3.3 The Single Tax Collection Link

According to the current consumption tax regulations of China, most consumption taxes are collected at one time in the production or import process. From the production link to the consumption link, the tax burden cannot be transmitted to the price in time, which is not conducive to guiding consumers to reduce the purchase of taxable consumer goods. Moreover, focusing on taxation in the production process can lead to loopholes in consumption tax collection and management, which will cause a lot of tax loss.

4 Suggestions for the Reform of the Consumption Tax System from the Perspective of Green Development

4.1 Add Green Items to Consumption Tax

Firstly, the tax scope includes high-energy-consuming and high-pollution products. With the development of urbanization and industrialization, a large number of highly polluted and harmful substances have been discharged, causing serious damage to water resources, air quality and soil. Taking sulfur dioxide as an example, such pollutants have long threatened ecological and environmental security. Including such pollutants in the scope of consumption taxation can significantly increase environmental pollution costs, promote technological innovation in enterprises to reduce pollutant emissions, and promote the transformation of green production. Secondly, increase tax items for high-end luxury goods and high-consumption behaviors. Products such as luxury bags and consumer projects such as high-end clubs and equestrian clubs. Taxation of such luxury goods and high consumption behaviors can not only guide the rational allocation of resources, reduce the pressure on environmental load, but also regulate income distribution, providing support for building a more equitable social environment.

4.2 Optimize Consumption Tax Rate

Firstly, increase the tax rate for some consumption taxes. For alternative products such as wooden disposable chopsticks and solid wood floors, increasing tax rates can change consumers' consumption choices through prices, thereby effectively reducing the damage to forest resources. For high-end luxury goods such as yachts and high-end watches, raising the tax rate allows high-income groups to assume more tax responsibilities and give full play to the green function of consumption tax. Secondly, based on product energy consumption, pollution emission and other indicators, multiple different tax rates are set under the same taxation list. Taking the tax item of motor vehicles as an example, increase the tax rate grades for passenger vehicles with a cylinder capacity of less than 2.5 liters. This tax rate design allows consumers to intuitively feel the tax differences between vehicles with different energy consumption levels, guide their tendency to choose low-energy and low-emission models, and promote the transformation of automobile consumption towards green travel.

4.3 Adjust the Taxation Link of Consumption Tax

The "Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Term Goals for 2035" clearly proposes to "promote the consumption tax collection process backward and steadily subtract local governments." The state is trying to transfer the consumption tax tax link from the production link to the retail link. Taxation is only levied at the production stage, and enterprises can use transfer pricing and other methods to reasonably avoid taxes. Moving the taxation process backward can increase fiscal revenue, and it can also facilitate the regionality of the tax base, but it will increase the difficulty of tax collection. In this regard, information technology can be used to monitor it in real time and gradually move the taxation process backward.

5 Conclusion

The concept of green development has been repeatedly mentioned in the Chinese government work report. Under this background, optimizing the consumption tax system is one of the important measures to achieve the green development goals. By increasing the green tax items of consumption tax, we can encourage consumers to choose more green products. Further improve resource utilization efficiency, effectively achieve the goal of energy conservation and emission reduction, and then promote the steadily progress of the economy towards sustainable development in all aspects, and build a good situation of harmonious coexistence between the economy and the ecology.

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