

Study on Fiscal and Taxation Policies on the Development of Circular Economy

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Abstract: Circular economy is needed in the material closed loop liquidity economy and the construction of economical society. And it is also a specific step of carrying out the scientific concept of development. The development of circular economy needs abundant infrastructure investment. And it also needs people around the nation to work together. In the process of developing circular economy, the adjustment and corresponding support of fiscal and taxation policy is indispensable. In this paper, the author mainly discusses the main problems and countermeasures of fiscal and taxation policies in the process of supporting the development of circular economy.

Introduction

Traditional economy is a “resources - products – waste” one-way linear process. In this process, if there is more wealth, more the consumption of resources and waste produced will be. Thus, negative effects on the environment and resources are greater. In circular economy, people use resource consumption and environmental costs as small as possible to get big economic and social benefits as far as possible, so that the economic system and natural ecological system could harmoniously exist in the material cycling process, which could promote the sustainable utilization of resources. Therefore, circular economy is a fundamental change towards the “mass production, gigantic consumption, and enormous abandoning” of the traditional economic model. Its basic characteristics are: in resources exploitation step, we should improve the comprehensive development and recycling of resources. In resource consumption link, we should vigorously improve the efficiency of resource utilization. In the link that waste is generated, we should vigorously carry out comprehensive utilization of resources. In the link that the renewable resources are produced, we should make significant recovery and recycling of all kinds of waste resources. In the social consumption link, we should vigorously promote green consumption.

The Main Significances of Circular Economy on Economic Development

Circular economy is a kind of brand-new economic form, and on behalf of the new way of economic development, it fully embodies the concept of scientific development. The main significances of circular economy development are the following:

(1) Alleviate the contradiction between shortage of resources and economic development. The total resources are abundant in our country, but the mineral resources, natural gas resources and oil resources of our country are far below the world average level. Since the reform and opening-up policy, we achieved rapid growth of GDP with huge resource consumption. In the new starting point of history, it will not work if we continue to use the thinking of resources for the rapid development of economy, and it is unsustainable if we take abundant consumption to achieve

industrialization and modernization. Circular economy is a kind of efficient economy, which can reduce the pressure of economic growth, and finally realize the recycling of resources.

(2) Reduce pollution and protect the environment. The past excessive resource consumption leads to the poor ecological conditions, bad atmospheric environment, prominent solid waste pollution day by day, low hazard-free treatment rate of dealing with urban living garbage, and serious problems of the rural environment in our country. Extensive mode of economic growth could make damage to the environment in which people rely on to survive. Circular economy can improve the utilization level of resources, and reduce emissions of sulfur dioxide and waste, and improve the comprehensive utilization of fly ash and solid waste. Therefore, this kind of economy could greatly improve the environmental quality while maintaining economic growth. Developing circular economy with great strength and promote clean production could minimize the influence of economic and social activities on natural resources and ecological environment, thus to fundamentally solve the contradiction between economic development and environmental protection.

(3) Improve economic benefit and inspire new economic growth point. At present, the outstanding features of our country resources are: low productivity of resources, low utilization efficiency of resources, low level of comprehensive utilization of resources, recovery and utilization ratio of renewable resources are low. Low resource utilization level has become an important barrier for enterprises to reduce production cost, improve economic benefit and competitiveness. Developing circular economy with great strength, improve the utilization rate of resources, and enhance international competitiveness have become an important and urgent task we are faced with now. At the same time, the circular economy will promote the development of related projects, which could bring new impetus for economic development.

The Significance of Fiscal and Taxation Policy Support on Circular Economy Development

From the technology level of resource utilization, the development of circular economy could mainly achieve from the three technology paths-efficient use of resources, cyclic utilization and harmless production. The application of high-tech technology in the process of the development of circular economy is significant. While the development of science and technology often requires high investment, thus the early return is low. The technology, investment and operation cost involved in implementation of circular economy is based on cash flow. The fiscal and taxation policy support can reduce the risk of circulation economy while the latter is at start stage of development. And in the process of management, this policy could reduce their tax expenditure, which plays a crucial role for corresponding development of the enterprises.

Main Problems of the Fiscal and Taxation Policy while supporting the Development of Circular Economy

(1) Fiscal transferring payment and preferential tax policies are insufficient and lack effective methods.

China's fiscal transferring payment and tax preferential are insufficient, which is one of the major problems our country is facing with at present. Within a long time, the structure of our country's tax revenue preferential policy is unreasonable. And we have long been took the form of tax breaks or direct fiscal investment to run enterprises and construct projects, which lead to a very high proportion of general spending in fiscal expenditure. For example, this proportion in 2004 was 27.8%, occupying more than forty percent. And its direct consequence is that it prompted the rising trend of Chinese government's investment. In 2003, the government investment rate reached 5.6%,

and in 1992, the proportion was only 2.3%, so the rising rate became fast. In the same period, the non-governmental investment rate only jumped from 35% to 36.7%, thus the rising rate of non-governmental investment is slow. The above suggests that, investment rate in our country is improving constantly, and the investment is mainly pulled by all levels of governments' direct investment in China.

At the same time, although at present we took a series of measures to promote the development of circular economy, due to the fact that the fiscal taxation methods are the simple, and the strength is relatively soft, the influence of this policy needs get further improvement. Therefore, we should focus on supporting fiscal and tax policy support, and speed up the construction of energy-saving and environment friendly society, curb the magnitude of the damage of our country's ecological environment with great strength, conserve energy and reduce emission with great strength, and advocate green consumption, thus to make the ecological environment recovered correspondingly.

(2) The synergistic effect and fairness of fiscal and tax means need to be improved

At present, the fairness of financial taxation means needs to be improved due to the fact that the tax burdens in different regions are different, and there are discriminatory policies in some areas. For example, in terms of fiscal and tax policies, our government failed to treat them equally without discrimination, thus for some private enterprises and residents, their tax burdens are relatively heavy, which increased the enterprise's running cost, and is not conducive to business investment to promote technical innovation of circular economy. In addition, the synergistic effect of fiscal taxation is insufficient, which lead to the lack of necessary coordination among relevant policies.

(3) The supporting direction of fiscal and taxation policies to the development of circular economy is not clear.

The fiscal expenditure structure and tax structure have not fully embodied the development orientation of circular economy. For example, most of the financial funds are used as subsidies for the losses of enterprises, while the funds used to improve the enterprise green technology and promote circular economy are very limited. Therefore, on the policy and file level, our country attaches great importance to the development of circular economy, but there is no full play out of the tax policy guidance function.

Suggestions for the Fiscal and Taxation Policy to Support the Development of Circular Economy in Our Country

(1) Expand Enterprise's Financial Support for Developing Circular Economy.

The government should further transform the mode of the fiscal and taxation policies to support economic development. For companies related to the development of circular economy, the government should give corresponding preferential policies in fiscal taxation aspect, increase scientific research of green technology and expenditure in resource recycling, and give full play to the regulating function role of fiscal and tax means. Finally, we could make the enterprises, citizens, government all attaches great importance to the development of circular economy pattern. At the same time, we should reduce the excessive dependence of economic development on government investment, and modestly increase in public spending, in this way to make the government's investment structure more reasonable.

(2) The Government Procurement System should increase Incentives for Enterprises Engaged in Circular Economy.

The government should through government procurement to encourage the enterprises give priority to products conforming to circular economy concepts. The government can clearly regulate the procurement by using normalized file, which is conducive to the sound development of circular economy. Through the support and motivation of government's purchasing priority, it is not only

beneficial to improve the development of circular economy enterprises' enthusiasm, but is also beneficial to drive them to conduct independent innovation and technological innovation. The government should further increase the corporate tax deduction degree of production of resources' energy saving, water saving and environmental protection. For the purchasing of equipment related to the development of circular economy, the government should allow the enterprises shorten or accelerated depreciation the useful life appropriately according to the proportion. For the intangible assets that generated during the process of buying software, the government can also shorten the period of amortization according to proper proportion.

(3) Take effective measures to play the role of fiscal and tax lever.

In the aspects of fiscal and tax policies and method, the government should take effective measures to comprehensively use a variety of means of fiscal and tax policies, thus to form a integrated force, and finally effectively promote the development of circular economy. The government should strengthen the concertedness among various policies and means, and form correct guidance for the development of circular economy. For enterprises that have high energy consumption, the government can appropriately add more tax. And for the enterprises that are environmental and are conducive to promote the development of circular economy, the government can give appropriate reduction on taxes. And for the enterprises that have significant role in promoting circular economy, the government might even consider give them fiscal interest discount, and reduce the country's fiscal investment for circular economy.

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