



# Exploring the Institutional and Regulatory Aspects of Resource Taxation

Yan Zhang

School of Economics, Anhui University, Hefei, China

2062864022@qq.com

**Abstract.** According to the "Outline of the Fourteenth Five-Year Plan and Vision 2035 of the National Economic and Social Development of the People's Republic of China", it is necessary to "implement tax policies favorable to energy conservation, environmental protection and the comprehensive utilization of resources", and the current task of resource tax is no longer only to raise financial funds, as part of green tax, its main purpose is to curb environmental pollution through taxation, and play the role of protecting the environment and saving resources. As a part of green tax, its main purpose is to inhibit environmental pollution and play the role of environmental protection and resource conservation through taxation. However, whether the present resource tax really plays such a role has to be further proved. Therefore, this paper analyzes the origin of resource tax, the effectiveness of the current resource tax and the existing problems on this basis. These problems are related to the scope of taxation, tax reduction and exemption, tax basis and tax collection and management. By analyzing the reasons for the problems and the corresponding impacts, we will improve the relevant suggestions for the reform of resource tax in China.

**Keywords:** resource tax; protection of the environment; system; collection and management.

## 1 Introduction

Since 1984, China has been collecting resource taxes in the true sense of the word. Prior to that time, owing to the low level of industrialization in China, there was no strong demand for resource taxes. Therefore, China did not levy corresponding resource tax, but the state will be the exploitation of natural resources according to the plan of the distribution of local enterprises, enterprises only need to pay a certain amount of profit to the state every year. 1984, in the context of fiscal deficit and "profit to tax", China began to levy a resource tax with the nature of the super progressive, the levy base is the sales profit margin of the sales of the tax, the tax rate of the sales of the tax, the tax rate of the sales of the tax rate of the sales of the tax rate of the sales of the resource tax. The levy base is the portion of the sales profit rate exceeding 12%. At the same time, the levy includes only three items: coal, oil and natural gas. The limited scope of levy restricts the functioning of resource tax,

© The Author(s) 2024

K. Zhang et al. (eds.), *Proceedings of the 2024 3rd International Conference on Economics, Smart Finance and Contemporary Trade (ESFCT 2024)*, Advances in Economics, Business and Management Research 305, [https://doi.org/10.2991/978-94-6463-548-5\\_17](https://doi.org/10.2991/978-94-6463-548-5_17)

which at that time may be only for financial purpose rather than for the protection of the environment. In 1986, the state decided to change the coal resource tax from ad valorem to quantitative levy.

In the 1994 reform of the tax system, China formally promulgated the Provisional Regulations on Resource Tax, in which the number of taxable items was expanded to seven, and differentiated tax rates were applied on a quantitative basis. This reform laid down the framework of the current resource tax. Since then, major and minor reforms have been carried out, culminating in the adoption of the Resource Tax Law of the People's Republic of China at the 12th meeting of the Standing Committee of the 13th National People's Congress on August 26, 2019, which was formally implemented on September 1, 2020, and the implementation of which is expected to be completed in the near future.

The current resource tax is levied on an ad valorem or ad valorem basis, targeting units and individuals who mine minerals and salt within the territory of China. The scope of collection is being further expanded, the method of calculation is gradually being harmonized and the resource tax system is being further improved.

On the one hand, resource taxes can contribute to fiscal revenues, for example, Carroll (2011)<sup>[1]</sup> analyzed the relationship between revenues and consumption taxes in detail in his article. However, with the development of society and economy, according to the "Outline of the Fourteenth Five-Year Plan and Vision 2035 of the National Economic and Social Development of the People's Republic of China", it is necessary to "implement tax policies that are conducive to energy conservation, environmental protection and the comprehensive utilization of resources", and we can know that the task of the resource tax is no longer only to raise financial resources, but also to be a green tax. We can know that the current task of resource tax is no longer only to raise financial resources, as part of green tax, its main purpose is to inhibit environmental pollution through taxation, and play the role of protecting the environment and conserving resources. Markandya (2009)<sup>[2]</sup> also tried to analyze the relevant consumption policy of EU countries, and found that resource tax is more effective than subsidy policy. However, whether the present resource tax has really played such a role has to be further argued. Resource tax has great deficiencies in both system design and collection and management, which calls for further reform of resource tax. Then this paper will elaborate on the three aspects of resource tax, namely, systematic problem, levy and management problem, and related suggestions.

## 2 A Review of the Literature

At present, the academic discussion on resource tax mainly centers on the scope of taxation and the basis of taxation. Most scholars believe that the current tax scope is narrow and the scope of resource tax should be expanded. For example, Ma Cai-chen and Zhao Di (2022)<sup>[3]</sup> believe that the current tax scope is narrow and the scope of resource tax should be expanded. Moreover, the basis of tax calculation is not reasonable, both ad valorem and quantitative taxation seem to have problems, so scholars suggest that ad valorem taxation should be the main tax, and quantitative taxation

should be supplemented to collect the tax. Through searching the related papers, we found that there are not many discussions on resource tax collection and management in the academic circles, but more on the implementation of water resource tax. However, the author believes that although the resource tax has gone through many reforms and has been legislated, the resource tax, as a component of green tax, is becoming more and more important. Especially under the background of attaching great importance to environmental protection and enhancing the utilization of resources, how the resource tax can better play its role needs our further thinking. On the contrary, in the international community, the levy of resource tax has been relatively mature, and there are many aspects that we can learn from. For example, there are many aspects that we can learn from, such as the scope of resource tax, the method of collection, the preferential policies and the redistribution system. Therefore, some of the references may be articles of two or three years ago, but this does not affect the research on resource tax. In the past two years, the state's focus on resource tax reform is indeed more inclined to water resource tax, while other aspects are rarely considered. This is also the intention of this paper, hoping that the reform of resource tax in other aspects should also be emphasized.

### **3 Effectiveness of the Current Resource Tax Administration**

The current resource tax is levied on an ad valorem or ad valorem basis, targeting units and individuals who mine minerals and salt within the territory of China. The scope of collection is being further expanded, the method of calculation is gradually being harmonized and the resource tax system is being further improved.

Combined with relevant data we can find that since 2012-2019, China's resource tax is largely in the trend of rising. In the recent statistics, we can also see that the resource tax revenue has exceeded the urban construction tax, became China's tenth largest tax. This shows that resource tax is playing a more important role in both promoting fiscal revenue and protecting resources.

On the other hand, however, the share of resource tax does not exceed 1 per cent of the total tax revenue. This shows that the role of resource tax is not fully realized, which is mainly confined to the scope of taxation, the method of tax calculation and tax administration. In these aspects, we have to make further improvement and enhancement. Then this paper will be elaborated from three aspects, namely, systematic problem of resource tax, levy and management problem, and related suggestions. In these aspects, international experience will also be involved to see whether our country can learn from it.

## **4 Institutional and Administrative Problems of Resource Taxation**

### **4.1 The Narrow Scope of Taxation and the Need to Expand It**

Currently, there are only seven resource tax items, covering only some of the common and easily collected resources, such as minerals and salt. At present, the tax on water resources is still limited to pilot areas and has not been promoted nationwide. In addition, non-mineral resources such as forests, lakes, grasslands and land have not been covered. Therefore, it is necessary to further expand the scope of resource tax to protect resources. For example, Zhao Haiyi(2022) <sup>[4]</sup> proposed in his paper that the occupation tax of cultivated land and part of renewable resources can be included in the scope of taxation.

### **4.2 Inadequate Tax Relief Provisions**

The current tax incentives for resource taxes are still insufficient. The statutory exemptions and reductions currently provided for are merely reproduced from the relevant provisions of the provisional regulations and have not been increased accordingly. For example, crude oil used for heating in the process of extracting crude oil can be exempted from tax, and those who have suffered great losses due to natural disasters and accidents can be appropriately considered for tax reduction or exemption. However, the scope of exemption is still limited, especially under the current "double carbon" goal, and there is a lack of corresponding targeted provisions. This has, to a certain extent, limited the role of the resource tax.

In addition, there are many cases of authorized derogations. Some concessions are granted at the discretion of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government. The resource conditions and profitability levels are different from one region to another, so discretion means inconsistency from one region to another, and inequity between regions, so the central government needs to do further thinking on authorization.

### **4.3 The Taxable Price is in Dispute**

The vast majority of resource taxes are levied on an ad valorem basis. This means that the relevant price is the cornerstone for calculating the amount of tax payable. Ad valorem taxation ignores the relationship between price and resource tax, the country owns the resources, but cannot benefit from the price increase, which is unfavorable to the fiscal revenue. On the other hand, the ad valorem taxation is fairer to the enterprises than the quantitative taxation, because it takes into account the environmental costs paid by the enterprises in utilizing the resources. In addition, the prices of such resources are often difficult to determine because of the different forms of processing. Liang Shuqi (2021) <sup>[5]</sup> makes a similar point.

#### **4.4 Difficulties in Controlling Tax Sources**

The distribution of resource tax sources is decentralized. The best way to collect scattered tax sources is to choose entrusted levy and simplified levy period, etc. However, with the introduction of the national "administrative supervision", entrusted levy and so on have been canceled gradually, so the collection of scattered tax sources has become a big problem. On the other hand, although resource tax is nominally a shared tax between the central government and the local government, most of the revenue goes to the local government. In fact, the local tax collection and management level is still very insufficient, especially when interests are involved, the cooperation between various departments is not high, and the local county level is often ineffective in collecting and managing the tax. The level of collection and management often affects the effect of the implementation of a tax to a great extent. From the current situation, the collection of resource tax has not achieved the expected effect, therefore, the collection and management level in China needs to be optimized and improved.

### **5 Recommendations for Improving the Resource Tax System**

Considering the above problems, I think we can optimize the resource tax system and its collection and management from the following perspectives, so as to give better play to the double dividend role of resource tax, which can not only promote the protection of the environment, but also bring about economic growth and increase in fiscal revenues.

#### **5.1 Expanding the Scope of Taxation**

There are in fact many items of resource taxation, and we can consider drawing on international experience in terms of the scope of taxation. For example, Russia set up a new system of natural resources tax in 2001, and the scope of taxation involves land, forests, sea, mudflats and so on, in addition to minerals. Dong Wei and Qin Guowei (2021)<sup>[6]</sup> also suggest that forests can be included in the scope of taxation. The expansion of the scope is also the expansion of the tax base, which will bring about the increase of revenue and the improvement of environmental protection awareness. In addition, in terms of water resource collection, many foreign countries have introduced taxes on water resources. Although China started the pilot reform of water resources tax in 2016, it is still in the pilot stage of reform and has not been formally incorporated into the resource tax law.

#### **5.2 Refinement and Improvement of Tax Incentives, Increase Tax Relief**

Tax incentives are considered at all levels and involve the issue of equity. For example, Cen Ping (2020)<sup>[7]</sup> believes that the establishment of the preferential system

should be more targeted, so that it can better play a role in encouraging. At the same time, when formulating policies, the State should reduce the act of authorization and increase specific provisions.

Drawing on foreign experience, the United States, for example, has introduced many preferential measures for low-grade mineral deposits while taxing mineral resources. Especially in the secondary development and utilization of idle oilfields, each state gives different policies according to the time of idle oilfields and the specific situation, thus effectively improving the development rate of idle oilfields and reducing the waste of resources.

### **5.3 Raising the Tax Rate and Changing the Basis of Measurement**

For the projects that adopt ad valorem taxation, the vast majority of them are now concentrated within 10 per cent, which is still relatively low. This is unfavorable to the function of resource tax. Therefore, the direction of future reform may be to further increase the tax rate and change the remaining ad valorem tax items to ad valorem. China is a vast country, and there are significant differences in economic level and resource conditions between the central and eastern regions, so the unified tax rate may increase the tax burden of enterprises, which is unfair. So based on this, China can consider floating tax rate, each local according to their own conditions in the range of adjustment, further play the role of resource tax to regulate the extreme difference, enhance the understanding of enterprises on the reuse of resources. Rational development and utilization of resources.

### **5.4 Strengthening the Management of Tax Sources**

Resource tax sources are scattered, which requires the realization of grid management of tax sources as well as the improvement of collection and management efficiency. Supervise the relevant taxpayers to carry out tax registration, and at the same time, increase the investigation efforts for the places where the tax is concentrated. For taxpayers with real accounting difficulties, the tax authorities should also adopt reasonable methods to authorize the collection of taxes, and may consider collecting taxes together with value-added tax (VAT).

### **5.5 Improvement of Laws and Regulations**

Zhao Jieyu (2021)<sup>[8]</sup> and Xiao Yi (2020)<sup>[9]</sup> have pointed out in their papers that although the resource tax has already realized the legislation, the content of the legislation still needs to be improved and upgraded. For example, it involves tax incentives, levy items, tax rates and corresponding collection and management measures, etc. At the same time, effective measures should be set up. At the same time, effective incentives and penalties should be set to lead the sustainable development of enterprises.

## 6 Conclusions

Although there are still some problems in the collection of resource tax, such as the narrow scope of taxation, the inadequacy of tax exemptions and the controversy of taxable price, etc., we can optimize the resource tax system and the collection and management from these perspectives, so as to give better play to the double dividend role of the resource tax, which not only promotes the protection of the environment, but also brings about the growth of the economy.

## References

1. Carroll, Robert. Income Versus Consumption Tax Baselines for Tax Expenditures[J]. *National Tax Journal*, 2011.
2. Markandya, Anil, Ramon Arigoni Ortiz, Shailendra Mudgal and Benoît Tinetti. Analysis of tax incentives for energy-efficient durables in the EU[J]. *Energy Policy*, 2009(12): 5662-5674.
3. MA Cai-chen, ZHAO Di. Research on resource tax reform based on high quality development[J]. *Tax Research*, 2022(05): 40-46.
4. Zhao Haiyi. Research on Resource Tax Reform under the Goal of "Double Carbon"[J]. *Taxation Research*, 2022(09): 64-68.
5. Liang Shuqi. A Review of Research Progress on Ad Valorem Reform of Resource Tax[J]. *Research on Finance and Accounting*, 2021(03): 21-26.
6. DONG Wei, QIN Guowei. Theoretical basis, practical foundation and system design of resource tax on forests[J]. *Taxation Research*, 2021(05): 115-121.
7. Cen Ping. Effect analysis and policy suggestions of resource tax reform[J]. *Taxation*, 2020, 14(16): 17+19.
8. Zhao Jieyu. Research on the Improvement of China's Resource Tax Legal System [D]. Southwest University of Political Science and Law, 2021.
9. Xiao Yi. Resource Tax Reform History and Legislative Significance[J]. *Journal of Hunan Taxation College*, 2020, 33(05): 55-59.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

