

## Research on Fiscal and Taxation Policy Based on the Perspective of Stable Development of County Economy

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**Abstract:** County is the most basic administrative unit in China, and the grass-roots unit that provides public services to citizens. The development of county economy is the basis of the overall national economic development in China. Without the development of county economy, the development of the entire national economy will eventually become a “water without a source”. Among the policy factors that affect the development of county economy, fiscal and tax policies are crucial and play an important role in economic development. They are an integral part of the government governance system and an important means of macroeconomic regulation. Based on this, it is necessary for this paper to study the fiscal and tax policies of China’s counties from the perspective of the stable development of the county economy.

### 1. Introduction

At present, compared with the rapid development of urban economy, the development of county economy lags behind obviously. However, the counties with the vast majority of land and population, especially those with backward economy, are increasingly unable to keep up with the pace of urban economic development. The most basic regional unit of national economy is county economy, which includes county, township and village economy, and has the characteristics of comprehensiveness, cornerstone and multiplicity.<sup>[1]</sup> Therefore, as an important part of the national economy, the county economy needs a greater development. At present, however, there are still many problems in the development of county economy, such as how to support “agriculture, rural areas and farmers” in current fiscal and taxation policies. In recent years, although fiscal and taxation policies have made many achievements in promoting the transformation of agricultural development mode, some deep-seated contradictions that affect the development of modern agriculture still exist. This requires the government to further play the guiding and regulating role of fiscal and taxation policies to promote the development of modern agriculture.

### 2. Present Situation of County Economic Development in China

#### 2.1. County Economy Lags Behind and Develops Unevenly

The county economy is a complete regional economy with regional characteristics and functions, which takes county-level political power as the main body of regulation, takes county-level administrative divisions as geographical space, and is market-oriented.<sup>[2]</sup> County economy mainly includes county-level cities and counties, mainly rural economy, including county towns, town economy and rural economy. By the end of 2021, there are 2,843 county-level administrative divisions in China, and the total population (resident population) in the county is about 740 million, accounting for 52% of the country’s total population. In recent years, China’s county economy has made great progress, but there are also problems such as unbalanced overall development, weak strength, serious financial shortage, and unreasonable structure.

The development of the county economy in China is uneven, and there are obvious differences in the county economy among regions. First of all, the regional imbalance in the east, west and central in China affects the imbalance of county economic development. 90 percent of the top 100 counties are in the eastern coastal areas, and the poor counties are mainly in the central and western regions.

Secondly, the average scale of the county economy in all provinces, cities and counties in the country is unbalanced and very different. The regional GDP reached 43.59 billion yuan at the largest and 490 million yuan at the minimum. Thirdly, the unbalanced development caused by resource endowment. Some mountainous counties are short of resources, with more mountains and less flat land and inconvenient transportation. Some counties are rich in mineral resources. Influenced by the rising resource prices, they have leapt from poor counties to top 100 counties. Most of the counties and cities in the central and western regions that have developed rapidly in recent years are the result of proved resource reserves and development.

## **2.2. The Financial Problems of Country have become Increasingly Prominent**

At present, most of the county and township finance in China has the problem of making ends meet. First, the financial liabilities of counties and townships are outstanding, and the financial risks at the grassroots level are constantly rising. Second, the county and township finance in the east, middle and west has the problem of underpayment to varying degrees. Third, the funds used by county and township finance to provide public goods and services are very limited. According to the survey data in 2021, the fiscal deficit of all provinces in China totaled 9861.4 billion. The national deficit counties accounted for about 3/4 of the national counties, and the total deficit accounted for 80 percent of the local fiscal total. County level finance was basically “food finance”. Some counties rely entirely on the central transfer payment. Fourth, over-reliance on land finance. Land transfer fees have become the main source of local fiscal revenue, but land finance easily leads to blindly promoting industrialization and urbanization, which on the one hand leads to a large number of farmers losing their land, on the other hand leads to disorderly competition in attracting investment in various counties, and projects with high pollution, energy consumption and consumables are transferred to the central and western regions.

## **2.3. The Quality of Labor Force and the Industrial Level of County Economy are Low**

At present, most county economies in China still take agriculture as the leading industry, and still have not got rid of the traditional business model. Moreover, agricultural production in most counties is small in scale, backward in production mode and low in production efficiency. The main body engaged in agriculture is mainly farmers with old age and poor ability, so the quality of labor force is obviously low, and the degree of agricultural marketization and industrialization is very low. The low level of county economy and industry is mainly reflected in the unbalanced distribution between the eastern, central and western regions. From the perspective of fiscal revenue, the proportion of the eastern region is relatively high, accounting for 59 percent of the whole country, while the central and western regions account for 23 percent and 18 percent respectively. In terms of disposable financial resources, the eastern region accounts for 48 percent, the central and western regions account for 27 percent and 24 percent respectively, accounting for only about half of the whole country (Figure 1).

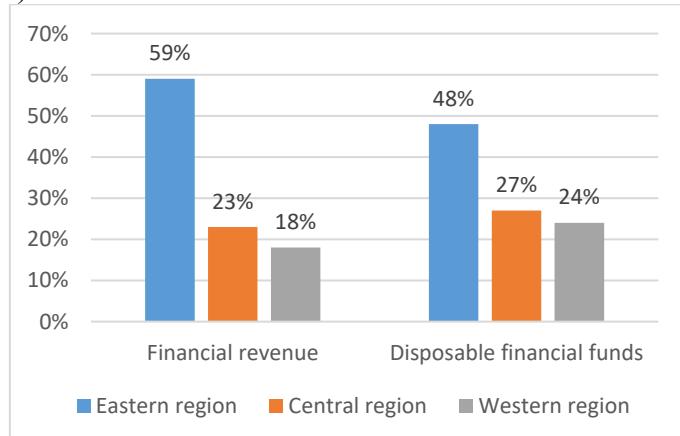


Figure 1 County fiscal revenue and disposable financial resources in the eastern, central and western regions.

### **3. Problems Existing in Fiscal and Taxation Policies in Developing County Economy**

#### **3.1. The Shortage of Government Funds at the Grass-roots Level is Serious**

The transformation of agricultural development mode needs the strong support of grass-roots government financial funds, but the shortage of grass-roots financial funds seriously restricts the transformation of agricultural development mode. First, the sources of funds for agricultural infrastructure construction are insufficient and the funding gap is large. Second, the village-level debt problem is serious and difficult to solve. Third, local supporting construction funds are lacking. Due to the limited local financial resources, they can't get the supporting construction funds, but give up the good policy of promoting the transformation of agricultural development mode, thus affecting the process of the transformation of agricultural development mode.

#### **3.2. The Financial Investment in Agricultural Scientific Research Development is Insufficient**

From the perspective of agricultural education investment, the state's educational investment in agricultural scientific research personnel is seriously insufficient, and the service level and overall quality of grass-roots agricultural scientific research personnel cannot meet the needs of modern agricultural development. From the perspective of the treatment of agricultural scientific and technological personnel, there is a general problem of low salary level among grassroots agricultural scientific and technological personnel such as villages and towns, which leads to the lack of enthusiasm of agricultural technicians and the lack of grassroots agricultural technicians. From the perspective of agricultural facilities technology, there is insufficient investment in scientific research and technological innovation in facilities agriculture. There are few agricultural technological innovations in China, simple agricultural facilities, backward equipment development and low degree of automation.

#### **3.3. The Financial Support for County Economy and Agricultural Development is Insufficient**

First, in the structural adjustment of the agricultural economy, the national financial supply support is insufficient. China's county economic restructuring strategy has been carried out for many years, but has achieved little so far. The main reason is the lack of strong financial support from the central government. Second, in terms of the supply of social factors of county economy, the national financial support is insufficient, especially the supply of information, technology and capital. Third, the central government's investment in agricultural infrastructure and county economic development is low. After the founding of the People's Republic of China, compared with the investment in industrial construction, the proportion of investment in agricultural capital construction in China has been declining.

### **4. Suggestions on Fiscal and Taxation Reform to Promote the Development of County Economy**

#### **4.1. Fully Consider the Current Financial Situation of Counties and Townships**

At present, the reduction of county and township fiscal revenue and the increase of expenditure are serious, mainly in the following two aspects. First, policies such as agricultural tax reduction and exemption have greatly increased county and township fiscal expenditure and reduced income. While the central government is concentrating its financial resources, its expenditure responsibilities and functions are continuously decentralized. At present, the county and township governments should not only bear the responsibilities of infrastructure, public health, environmental protection, social security, administrative management, compulsory education, but also bear the responsibility of supporting local economic construction. Most of the responsibilities delegated are heavy responsibility, strict management and large expenditure, which severely limits the amount of funds invested by county and township finance in the transformation of agricultural development mode. Second, professional projects need supporting funds. For example, the national or provincial financial input to the grass-roots level generally requires the local finance to support the fund in proportion. The more projects you strive for, the more supporting funds you need. Moreover, the

poorer the counties and townships are, the more difficult it is to guarantee the supporting funds, and the more difficult it is to win the project. Therefore, the national and provincial financial investment in the transformation of the agricultural development mode should be based on the actual situation of local financial resources and implement different fiscal and tax policies. For example, poor counties with backward economy can be required to have less or no supporting facilities.

#### **4.2. Fiscal and Taxation Policies should be Differentiated**

Fiscal and tax policies should be differentiated according to different stages of economic development and different regions.<sup>[3]</sup> Experience shows that in different stages of economic development, the focus of fiscal and tax policies is different. At the initial stage of economic development, fiscal and tax policies focus on improving agricultural productivity and promoting the development of agricultural production. With the continuous improvement of the economic level, fiscal and tax policies are gradually shifting to the goal of increasing farmers' income. At present, China's agricultural infrastructure is weak, ecological environment and resource constraints are prominent, and financial power is limited. Therefore, at this stage, China should focus on promoting the development of agricultural production and protecting resources and ecological environment. As China's financial resources continue to improve, it will gradually turn to high-income subsidy fiscal policy. In addition, fiscal and tax policies should be different for different regions. China has complex terrain and landform, and the transformation of agricultural development mode in various regions is restricted by local natural conditions. Therefore, different fiscal and tax policies should be formulated in combination with the agricultural industry layout and the division of main functional areas to better meet the needs of the transformation of local agricultural development mode.

#### **4.3. Selectively Support Agricultural Science and Technology Research**

The national finance should increase the investment in agricultural science and technology education and funds, but should be selective in the content of its R&D and innovation. Now a lot of facts have proved that "transgenic agriculture" and "chemical agriculture" will greatly affect the ecology, environment, animal and human health. Formula fertilization has not fundamentally solved the problem of chemical fertilizer except for the link of increasing fertilization. While increasing grain production, transgenic biotechnology has polluted the environment and affected soil fertility, which cannot really benefit farmers. Therefore, when developing modern agriculture, China must choose the correct agricultural development mode and determine the correct "modern agriculture" model. For example, the financial policy should give priority to the investment in ecological pesticides and ecological governance, or focus on the R&D of green fertilizers and the cultivation of improved varieties, and vigorously organize scientific and technological research and technology introduction. At the same time, financial funds should strongly support the development of grass-roots science and technology services. The construction of agricultural science and technology service capacity will be improved through five measures, including building an agricultural science and technology innovation platform, increasing agricultural science and technology investment, developing regional agricultural technology extension stations, strengthening farmers' technical training, and promoting the transformation of modern agricultural technology achievements. By improving the treatment of agricultural scientific and technological talents, the enthusiasm of agricultural scientific and technological talents can be aroused, so as to enhance the potential of agricultural development.

### **5. Conclusion**

Through the study of the county economy, we not only found the reasons for the backward development of the county economy, but also provided theoretical support for the rational planning of the county regional economic development, thus better promoting the comprehensive, coordinated and sustainable development of the county regional economy. At the same time, county economy will also better promote urbanization and the construction of a new socialist countryside.

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