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Building a Green Future Together: Exploration and Experience of China's Green Taxation

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CONTENTS

1. Overview of China's Green Tax System

1.1 The Important Significance of Green development

The Fundamental Strategy for Addressing Resource, Environmental, and Ecological Issues

President Xi Jinping proposed the Action for Promoting Green Development

Demonstrating China's Responsibility and Commitment as a Major Country

1.2 The Development Course of China’s Green Tax System

1.2.1 The Initial Stage and Deficiencies Prior to 2012

Before 2012, China had formed the initial stage of the green tax system. However, the tax system then still lacked a core tax which targeted at protecting ecology and environment. Meanwhile, the regulation scope was limited, and the green incentives were insufficient.

1.2.2 The Reform Direction Since 2012

China has put forward the reform direction of "adjusting the scope,collection stage and rates of excise tax, including high-energy-consuming and high-polluting products and some high-end consumer goods into the scope, while accelerating the reform of resource tax, and promoting the reform of environmental protection charges changing into taxes".

1.2.3 Currently, a Green Tax System with Chinese Characteristics Has Been Formed

After continuous reforms,China has formed a green tax system with Chinese characteristics, covering all fields and collection stages of resource conservation and ecological environmental protection.

1.3 The Role of the Green Tax System

1.3.1 Promote the low-carbon Development of the Economy and Society

China's current green tax system plays an indispensable role in achieving the goal of " carbon peak and carbon neutrality”.

1.3.2 The Constraint Mechanism Regulates Environment-related Actions

China levies taxes and charges on certain actions and objects through environmental protection tax, resource tax, excise tax, vehicle and vessel tax and other means.

1.3.3 The Incentive Mechanism Promotes Transformation

China promotes the comprehensive green transformation of economic and social development through various preferential tax policies.

2. Constraint Mechanism:Regulate Environment-related Actions through Taxation and Other Means

2.1 Environmental Protection Tax

2.1.1 Implementation Time and Collection Method

China has implemented an environmental protection tax law since January 1, 2018.

2.1.2 Taxable Objects

The environmental protection tax leivies on four types of pollutants related to air, water, solids, and noise.

2.1.3 The Impact on Taxpayers

This method improves taxpayers' environmental awareness and compliance.

2.1.4 The Impact on Enterprises

This mothod promotes enterprises to improve technical craft and reduce pollutant emissions.

2.2 Resource Tax

2.2.1 Reform Content

China has comprehensively implemented the reform of resource tax, changing from a volume based tax with fixed quota into an ad valorem tax with fixed rates.

2.2.2 The Linkage Mechanism

This method has established a mechanism that directly links resource tax payable and resource price.

2.2.3 Influence

Encourage enterprises to utilize resources intensively ; Improve resource utilization efficiency.

2.3 Vehicle Related Taxes

2.3.1 Excise Tax on Refined Oil Products

China imposes excise tax on refined oil products to promote the conservation of petroleum resources.

2.3.2 Vehicle and Vessel Tax and Excise Tax are Levied in Different Tiers

Vehicle and vessel tax is levied on passenger cars according to the displacement; and excise tax is levied on cars according to displacement.

2.3.3 Policy Effects

These policies have effectively curbed the use of high-energy-consumption and high-pollution vehicles ,and promoted the development of new energy vehicles.

2.4 Excise tax

2.4.1 Taxes are levied on forest resource products

Impose excise tax on products that consume woodlands and forestry resources(such as solid wood flooring and disposable wooden chopsticks)

2.4.2 Taxes are levied on polluting products

Impose excise tax on batteries and coatings

2.4.3 The Impact on Industry

Guide the green transformation and development of relevant industries.

2.5 Government Non-tax Revenue

2.5.1 Vegetation Restoration Charges

Forest Vegetation Restoration Charges;Grassland Vegetation Restoration Charges;Wetland Restoration Charges.

2.5.2 Sewage Treatment Charges and Garbage Disposal Charges

Impose Sewage treatment charges and garbage disposal charges on entities and individuals;Support domestic sewage and garbage treatment facilities

2.5.3 Overall Impact

Improve the ecological environment compensation mechanism

3. Incentive Mechanism: Promote Green Development with Tax Incentives

3.1 Value-added Tax

3.1.1 the Value-added Tax Credit Refund Policy

China refunds monthly excess VAT credit to eligible enterprises engaged in ecological protection and environmental protection industry.

3.1.2 Tax Incentives for Comprehensive Resource Utilization

For taxpayers selling self-produced eligible resource recycling products and providing resource-recycling-related services, immediate refund of VAT credit upon collection or tax exemption is granted.

3.2 Corporate Income Tax

3.2.1 Tax Incentives for Income from Environmental Protection Projects

China has given enterprises a preferential policy of "three-year exemption and three-year half payment of corporate income tax" for enterprises engaged in eligible environmental protection, energy conservation and water conservation projects.

3.2.2 Tax Incentives for Special Eco-equipment

For the purchase and actual use of special eco-equipment such as environmental protection, energy conservation and water conservation, eligible enterprises can deduct from the corporate income tax amount by 10% of the investment amount in special eco-equipment.

3.2.3 Tax Incentives for Income from Comprehensive Utilization of Resources

Enterprises use eligible recycling and renewable materials in production under certain standard, could calculate income from those products as 90% to the total revenue.

3.3 Vehicle Related Taxes

3.3.1 Tax Incentives for Energy-Saving Vehicles

China reduces or exempts vehicle and vessel tax for eligible energy-saving vehicles.

3.3.2 Tax Incentives for New Energy Vehicles

China reduces or exempts vehicle and vessel tax and vehicle purchase tax for eligible new energy vehicles.

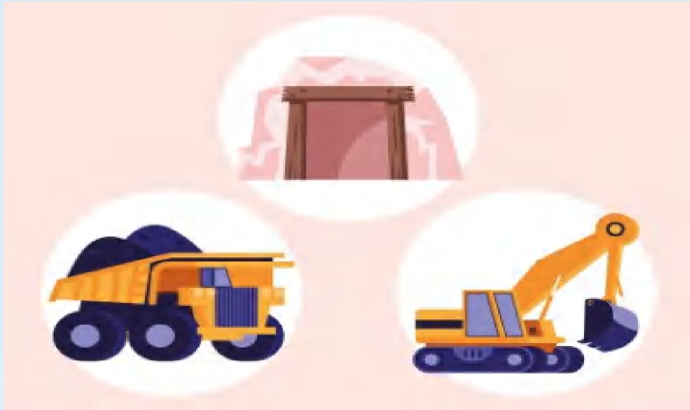
3.4 Resource Tax

3.4.1 Tax Incentives for Backfill Mining of Coal

China reduces the resource tax by 50% on the coal from backfill mining.

3.4.2 Tax Incentives for Shale Gas

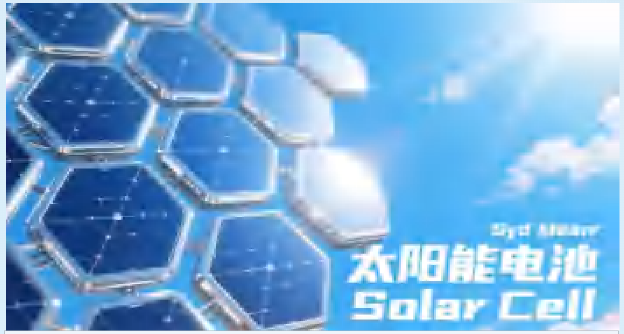
China reduces the resource tax on shale gas by 30%.



3.4.3 Tax Incentives for Mining in Depleted Mines

For mining products in the exhaustion stage, paragenic/associated ore, low-grade ore, tailings and other situations, preferential resource tax policies would be given if they meet certain requirements.

3.5 Excise Tax



3.5.1 Tax Incentives for New Energy Products

China exempts excise tax on certain new energy products such as fuel cells and solar cells.

3.5.2 Tax Incentives for Low-Pollution Products

China exempts excise tax on low-pollution products such as coatings with volatile organic compound content of less than 420 g/L (inclusive) under construction state.

3.5.3 Tax Incentives for Oil Products Produced from Waste raw Materials

China exempts excise tax on pure biodiesel produced from waste animal oil and vegetable oil, and industrial oils such as lubricating oil, base oil, gasoline, and diesel produced from recycled mineral waste oil.

3.6 Urban and Township Land Use Tax

3.6.1 Tax Incentives for Land Used by Nuclear Power Plants

China exempts urban and township land use tax for part of land used by nuclear power plants.

3.6.2 Tax Incentives for Land Used by Hydropower Stations

China exempts urban and township land use tax for part of land used by hydropower stations.

3.6.3 Tax Incentives for Land Used by Power Supply Departments

China exempts urban and township land use tax for land used for power transmission lines and substations by power supply departments.

3.7 Government Funds

3.7.1 Renewable Energy Development Fund

China has set up a renewable energy development fund to subsidize renewable energy power generation.

3.7.2 Preferential Policy for Distributed Photovoltaic Power Generation

The policy exempts self-generated and self-used electricity from distributed photovoltaic power generation from four government funds levied on electricity.

3.7.3 Preferential Policy for Major Water Conservancy Project Construction Fund

This policy exempts the national major water conservancy project construction fund from the education surcharge.

4. Future Outlook

Continuous Improvement and Collaborative Coordination

- **Improve the Green Tax Policy System**
- **Strengthen Collaborative Coordination with Other Policies**
- **Contribute Chinese Wisdom to Address the Global Climate Change Issue**


Thank you!