

# Research on fiscal and taxation policies for urban-rural integration and development in the context of rural revitalization strategy

Jin Wang, Yuxin Li, Yichen Zhang, Yujie Zhu

Anhui University of Finance & Economics, Bengbu Anhui 233030, China.

## Abstract

The integrated development of urban and rural areas is the basic direction of the future development of the countryside and the inevitable requirement for realizing the strategy of rural revitalization. However, at present, China's urban-rural integrated development still has many problems and constraints, which not only needs to stimulate the internal drive of the market main body, but also needs the guidance and support of macro policies. Therefore, it is necessary for the government to use fiscal policy tools to target the pain points and difficulties of urban-rural integration and development. In view of this, this paper is based on the basic status quo of China's fiscal and taxation policies, and conducts an in-depth analysis of the problems of urban-rural integrated development under the background of rural revitalization strategy, so as to put forward feasible suggestions and references for further improving China's fiscal and taxation theoretical system.

## Keywords

Rural revitalization, urban-rural integrated development, fiscal policy.

## 1. Background and significance of the study

### 1.1. Background of the study

Since the reform and opening up forty years ago, China's economy has been developing at a high speed, and has made great achievements that have attracted the world's attention. In this process, the economic development of cities and villages has been remarkable, but there are still some problems in the process of their joint development and progress. With the rapid development of cities and towns, a large number of young and middle-aged people from the countryside have chosen to work in the cities and send their children to schools in the cities and towns, leading to a serious aging of the remaining population in the countryside. At the same time, the increase in the number of people living in towns and cities has led to greater demand for housing, medical care, education and so on, which has had a major impact on public resources in the towns and cities, and has also increased the imbalance between urban and rural development. To a certain extent, the contradictions and differences between urban and rural development can be regarded as the biggest imbalance our country is facing at present, which requires the state, the government and every one of us to make great efforts to adjust and solve. Whether or not urban and rural areas can achieve integrated development is a pivotal part of the implementation of the rural revitalization strategy. With the attention paid by the state to rural revitalization in recent years, it is very important to narrow the development gap between urban and rural areas and accelerate the promotion of urban-rural integrated development. To study the integrated development of urban and rural areas in China in the context of rural revitalization strategy, it is necessary to find a suitable and grasp and entry point. Finance is the foundation and important pillar of national governance; fiscal and taxation policies have significant advantages in optimizing the allocation of resources,

promoting the flow of factors, and advancing structural adjustment; and financial funds are the "food, grass and munitions" for promoting rural revitalization. Therefore, the adoption of precise and scientific fiscal and taxation policies is an important means of addressing rural revitalization and urban-rural integration and development.

## **1.2. Significance of the study**

Since the 19th National Congress of the CPC, China's social contradictions have changed significantly, and there are also some contradictions between urban and rural development; in order to ease the contradictions between urban and rural development, the State has vigorously implemented the strategy of promoting rural revitalization, while urban-rural integrated development is an important means of realizing rural revitalization. On the one hand, rural revitalization is the intrinsic thrust of urban-rural integrated development. Rural revitalization can be based on the new functions, needs and values of the countryside, exploring the types of factors that can be added to the countryside and their mobility power to optimize the allocation of urban and rural factors, thus realizing integrated urban-rural development. On the other hand, urban-rural integrated development is conducive to promoting rural revitalization. Urban-rural integrated development can make use of urban advantages to support rural development, and by integrating rural communities into the development system of urban communities, it can effectively improve rural production and living conditions, which in turn helps to realize rural revitalization. In the context of rural revitalization, urban-rural integrated development is a fundamental way to achieve common prosperity and a powerful hand in solving the problem of unbalanced urban-rural development. Therefore, in recent years, the state has paid more and more attention to accelerating the promotion of urban-rural integrated development, and has given strong support to urban-rural integrated development in terms of policies and funds; at the same time, the government has also utilized fiscal and tax policy tools to guide and encourage it. However, at present, China's fiscal and taxation policies for urban-rural integrated development are still in the exploratory stage, and there is still a lot of room for improvement and optimization, which requires the government to adopt more accurate and effective fiscal and taxation policies to promote urban-rural integrated development, so as to accelerate the realization of the goals of the strategy of rural revitalization. In view of this, this paper takes the fiscal policy research under the background of rural revitalization strategy as the object, bases on the basic status quo of China's fiscal policy, and puts forward feasible suggestions and references to the problems existing in the current stage of rural integration development, which has certain theoretical significance and practical significance.

## **2. Urban-rural integrated development needs financial and tax policy support**

### **2.1. Shortcomings in urban-rural integration and development**

#### **2.1.1. Single industrial structure and backward economic development**

The problem of the homogeneity of the rural industrial structure is one of the core difficulties that need to be urgently solved in the revitalization of the countryside. With the relative increase in the level of mechanization and the support of national policies to benefit agriculture, agriculture has developed accordingly, but today, the pillar industry of China's rural economy is still traditional agriculture, with major grain crops such as soybeans, corn and wheat still occupying most of the arable land area. Moreover, the over-reliance on a single agricultural product in most rural areas can lead to a rural economy that is sensitive to climate and market fluctuations, and in the face of major natural disasters, suffers economic losses that are difficult to remedy, limiting the growth potential of the rural economy. In terms of economic

development, the relative gap between urban and rural incomes is currently narrowing, but in absolute terms the gap is still large and tending to increase, with the incentive for farmers to increase their incomes weakening, and with the environment for the employment of farmers in the workforce yet to be fully restored, the steady growth of the rural economy is still facing serious internal and external challenges.

### **2.1.2. Lack of public facilities and public services**

"Since the Thirteenth Five-Year Plan, the construction of public facilities for education, health care, culture and recreation, and transportation in rural areas across the country has been gradually accelerated, but there is still a gap between this and the requirements of modernization in agriculture and rural areas, and the growing needs of farmers for culture, recreation and transportation are not being met. At the same time, some rural areas, due to natural conditions, levels of economic development and historical and cultural constraints, still have unresolved "blockages" and "pain points" in the planning and construction of public facilities and their subsequent management and care. In terms of public services, although China has achieved relatively balanced system coverage for urban and rural residents in terms of medical care and compulsory education, there is still a large gap between urban and rural areas in terms of the standard of basic public services. In the areas of education and health, in particular, the problem of unbalanced levels of development between urban and rural areas is particularly prominent, and has become the main shortcoming facing the current public service system.

### **2.1.3. Lack of quality human resources and high technology**

Although the policy of introducing rural talents has been proceeding steadily, traditional regional prejudices and differences in the social environment have deterred many people, leading to a lack of innovative and highly skilled talents and a shortage of important forces supporting the development of the rural economy and industry. And due to the uneven level of education across the country, there is a lack of grassroots management personnel, and some grassroots managers have insufficient capacity and awareness of public practice to adapt to the new governance requirements. At the same time, the supply of science and technology in agriculture and rural areas does not match the demand for accelerating the development of modern agriculture, and the supply of core and key technologies in agricultural science and technology is insufficient, with a lack of new technologies that can increase yields, reduce costs, ensure quality and safety, and promote sustainable development. In some rural areas, there are also problems such as the low scientific and technological content of industries and the aging of the grass-roots agricultural technology team, which to a large extent limits the promotion and application of science and technology and restricts the long-term development of related industries.

### **2.1.4. Multiple impacts of the traditional urban-rural dichotomy**

Over the past time, the integrated development of urban and rural areas has achieved positive results, but on the whole, due to the constraints of the urban-rural dual structure, serious barriers still exist in the urban-rural mechanism, which to a certain extent limits the level of upgrading of the integrated development of urban and rural areas. The so-called urban-rural dual structure refers to the fact that, in the historical process of developing countries' transition from a traditional agricultural economy to a modern economy, there are inevitably asymmetrical forms of organization and social existence between the rural and urban modes of production and life, which are manifested in a variety of ways, such as in the areas of household registration, land, and administration, so that peasants are unable to participate in the process of modernization on an equal footing, and to share the fruits of that modernization together. For example, the rights to contract and operate rural land and to use homesteads have not been comprehensively improved and implemented, and the same rights and prices have not been

realized for rural operational construction land as for State-owned construction land, thus failing to ensure that farmers can fairly share in the appreciation of land value. At the same time, the differences in financial services between urban and rural areas have been widely recognized, and a certain barrier has been formed between the two, affecting the effective allocation of funds. Moreover, the phenomenon of a massive outflow of capital from rural areas persists, and the flow of industrial and commercial capital to rural areas is still strictly limited under the current policy framework.

### **2.1.5. Difficulty in harmonizing ecological environmental protection and economic and social development**

Adhering to the harmonization of ecological environmental protection and economic and social development is the proper meaning of realizing high-quality integrated development in urban and rural areas. However, as China's urbanization and modernization process accelerates, a large number of rural populations are moving to the towns, leading to a series of problems such as a lack of rural labour and the hollowing out of industries, which impede the development of the rural economy. At the same time, due to the past period of time, some of China's rural areas existed at the expense of the environment in exchange for economic development phenomenon, resulting in the development of the countryside is facing pollution problems have exceeded the urban pollution and industrial pollution. These industrial enterprises developed on the basis of rural resources, subject to the constraints of social and historical conditions and the operators' own weak awareness of environmental protection, have inevitably created problems such as pollution of the environment, waste of resources, and destruction of ecology in the process of development, thus plunging urban-rural integration and ecological environmental protection into a situation where it is difficult for the two to coexist.

## **2.2. Rural integrated development requires active fiscal policies**

The unbalanced and insufficient development of rural areas is one of the major problems of China's social development. As the most effective way to crack the main social contradiction and solve the problem of unbalanced regional development in the new era, urban-rural integrated development needs not only the support and guarantee of fiscal and tax funds, but also the promotion and assistance of various positive fiscal and tax policies. Comprehensive use of fiscal and tax policies is an important way to promote high-quality development of rural economy, narrow the gap between urban and rural areas, and realize rural revitalization. Coordinating fiscal and tax policies with macro policies such as employment, industry and environmental protection can precisely and effectively expand effective demand and further stimulate and release the potential for high-quality development in urban and rural areas. Fiscal policy mainly utilizes the guiding role of financial funds to provide the necessary funds for the integrated development of the countryside. And tax policy is mainly to play the role of market guidance and regulation, through tax cuts and fee reductions to drive the development of rural industry. The two are interdependent and complementary. Focusing on promoting industrial transformation and upgrading and optimizing the allocation of factors in the market, we will strive to promote the integration of urban and rural industries; increasing financial subsidies and expanding the scope of tax incentives as the main ways to ensure that they benefit and help farmers; and improving the supervision system and strengthening performance evaluation as a means to improve the efficiency of the implementation of fiscal and taxation policies.

At present, China has successively implemented corresponding fiscal and taxation policies to further optimize the pattern of urban-rural development and provide a strong guarantee for the healthy development of urban-rural integration. China's fiscal and taxation policies are mainly reflected in the following aspects: first, the formulation of fiscal, financial, social security and other incentive policies to attract various types of talents to return to their hometowns to

start their own businesses; second, the establishment of a long-term mechanism for the integration and consolidation of agricultural-related funds to improve the efficiency of the distribution of financial funds; and, third, the construction of an effective intergovernmental financial relationship to build a solid fiscal foundation for the revitalization of the countryside and fiscal pillars, which will in turn promote the prosperity and development of the rural industry. The implementation of these fiscal policies has played a certain role in promoting the integrated development of urban and rural areas. However, there are still certain deficiencies in China's fiscal policies. Part of the literature points out the problem of inefficient use of funds for supporting agriculture in China. In recent years, China's public capital investment in rural construction has gradually increased, largely improving the infrastructure and external landscape of the countryside, but in fact, it has neglected the inherent requirements of rural economic development, and still has not substantially improved the development of the rural areas. At the same time, the scope of tax incentives formulated does not fully cover the rural industrial chain, there are missing links, the tax reduction effect is not in place, and it is not conducive to opening up the whole industrial chain of rural revitalization. Moreover, the current tax policy has certain limitations in stimulating rural entrepreneurial vitality, only from the perspective of stimulating the vitality of small and medium-sized micro-enterprises and the entrepreneurial main body of key groups, and fails to fully mobilize the productive enthusiasm of farmers, which is not conducive to the transformation of the rural industry and the integrated development of the countryside.

### **3. Paths of fiscal and taxation policies to promote integrated urban-rural development**

#### **3.1. Promoting green transformation and upgrading of industries and high-quality development of the rural economy**

The transformation and upgrading of the industrial structure is a process that reflects the rationalization and advancement of industries in economic development, as well as the improvement of the level of the industrial structure. The focus of modern fiscal policy support should also realize a gradual shift from primary agricultural production to deep processing, green agriculture, new agricultural production and sales, and modern agricultural services. If you want to promote the high-quality development of rural industry, you should first innovate the business model. Combine the development of rural industries with networking and information technology, and support rural e-commerce live broadcasting and other ways to promote rural specialties by means of fiscal and tax means, to broaden the income channels of farmers, so that they are more in line with the market. Secondly, the development of green finance through fiscal and taxation means, through bonds, loans and other financial services to tilt social capital to the green industry, environmental protection industry and other green industries. Attract green technology and other modern elements for the development of rural industries, promote agricultural specialization, and achieve the goal of green development and sustainable development of the economy in rural areas. Finally, through the green financial optimization of resource allocation, guide the development of green industry, promote resource elements to green industry agglomeration, promote the industrial structure to the two or three industry specialization. At the same time, it optimizes high-pollution and high-energy-consumption production modes, promotes the integration of the three industries in rural areas, and helps the transformation of basic agriculture and the construction of rural ecological civilization.

### **3.2. Expanding agricultural-related tax incentives to further reduce the tax burden**

In order to give full play to the role of taxation in rural revitalization, it is necessary to continue to make efforts in such areas as the scope of preferences, reductions and exemptions. First of all, it is necessary to realize the comprehensive coverage of tax preferences in the supply of agricultural factors and the production, processing, storage and circulation of agricultural products. Reasonable use of tax big data to carry out in-depth analysis of the supply and demand of upstream and downstream enterprises, provide accurate services for the purchase and marketing docking between enterprises, and comprehensively open up the agriculture-related industrial chain. Secondly, as the current tax policy still focuses on preferential treatment for traditional elements such as chemical fertilizers and pesticides, it has led to the decline of soil fertility, land ecological environment pollution and other problems that have gradually come to the fore. Therefore, a green subsidy incentive policy system can be set up to cover the full range of preferences for agriculture-related factors and encourage farmers to use green and modern production methods. Finally, greater corporate income tax incentives should be given to agricultural research and development, independent innovation, rural e-commerce, rural leisure and pension enterprises, etc. Individuals who have made efforts to promote the revitalization of the countryside should also be given incentives, such as implementing tax reductions such as arable land occupancy tax on the land they occupy, and giving them more deductions. At the same time, further reducing the tax burden is an important aspect of promoting rural revitalization and long-term integration of urban and rural development, so we should appropriately reduce the tax rate of deep processing of agricultural products, including agricultural products, including the industrial chain, the production and sales behavior of the industry chain to the 9% tax rate for levying and management, through the tax base-type relief, tax-type relief, etc. to further reduce the level of the tax burden of the countryside enterprises, and to promote the prosperous development of enterprises in the rural industrial chain. The tax burden on rural enterprises will be further reduced through tax-based relief and tax relief to promote the prosperous development of enterprises in the rural industrial chain.

### **3.3. Establishing a sound financial and tax supervision system to ensure the accuracy of the implementation of financial and tax policies.**

Fiscal policy is an important tool for regulating economic development and realizing social equity, yet the effectiveness of the policy depends to a large extent on the precision of implementation. To ensure that fiscal and taxation policies can promote urban-rural integrated development, it is crucial to ensure the precise implementation of the policies. First, it is necessary to strengthen the supervision of rural governments and establish a mechanism for sharing tax-related information. A diversified supervision system can be established, including internal auditing, the public, and the supervision media, to form an all-round supervision network, and at the same time, the process of formulating fiscal and taxation policies and the implementation details should be disclosed, so as to realize openness and transparency, and the sharing of tax-related information. Secondly, tax policies should be adjusted in a timely manner according to the changes in the stage of economic development and social needs, so as to avoid "one-size-fits-all". The government should scientifically assess the needs of different industries, regions and groups, and formulate policies that are in line with the development of local villages, so as to better adapt to and promote the development of rural economy. At the same time, it has established a feedback mechanism to collect timely feedback from local enterprises and individual farmers, assess the actual effects of fiscal and taxation policies, and adjust and improve the policies and measures based on the feedback. Finally, strengthen the monitoring and evaluation of the effects of fiscal and taxation policies to ensure that the

implementation of policies is in line with the expected goals. It is necessary to establish a set of scientific, comprehensive and operable performance evaluation index system, and flexibly adjust the evaluation indexes according to the actual situation of different departments and different regions, so as to ensure that the evaluation results are more targeted and operable. And in addition to the performance evaluation of industrial projects in the aftermath, but also to do a good job in the ex ante assessment, so that the assessment and evaluation of the link interlocking, substantially improve the efficiency of the utilization of financial funds.

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