



INTERNATIONAL EXPERIENCE: THE CURRENT STATE OF THE GREEN TAX SYSTEM IN CHINA AND DEVELOPMENT PROSPECTS

M. Adilov,

Candidate of Economic Sciences, Deputy Director of the Graduate School of
Business and Entrepreneurship under the Cabinet of Ministers of the Republic
of Uzbekistan

A. Kenjabaev,

Doctor of Economic Sciences, Professor of the
Department of Marketing and Digital Economy

A. Abdurakhmanov

Master of the Graduate School of Business and Entrepreneurship

Abstract

Green Taxes in many countries it is located in a period of active transformation, which is associated with the growing scale of infrastructure and social projects, as well as the need to increase natural resources. The article provides an in-depth analysis of China's experience. A scientific analysis was conducted The state of the green tax system in China and its development prospects.

Keywords: "Green tax system, natural capital, "green" taxes, green finance, green transformation, green growth, environmental protection, environment.

INTRODUCTION

The rapid destruction of natural ecosystem functioning is a problem that must be addressed through international efforts. For countries in Asia and Central Asia, the consequences of climate change are most noticeable. on water resources region. For example, in the ecosystem of Lake Balkhash, one of the



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largest lake ecosystems on the planet, processes similar to those in the Aral and Caspian Seas occur. Project implementation and management in the region encompasses the application of general principles, including all classical stages from initiation to completion, and the use of modern methods and widely used tools.

More than half of natural production depends on natural resources. This means that, since most people didn't take "natural capital" into account, it seemed unprofitable. This is due to the real development of sustainable finance globally and in the region, which includes green and social finance, and it is growing exponentially. In May 2021, the Green Finance Center (GFC) announced its role as the regional office of the Green Investment Principles (GIP) and the Belt and Road Initiative (BRI). As the regional office for the GIP, the GFC, firstly, actively helps banks implement environmentally friendly practices, in accordance with the ESG principle, this will make their operations more sustainable. The development of an operational mechanism plays a particularly important role in addressing the current problem in the region. A green tax is also known as an environmental tax, ecological tax, or green tax.

According to PwC, "green" taxes include taxes on pollution, energy, carbon emissions, fuel consumption, waste management and disposal, natural resource use, vehicles, and other modes of transportation. "Green" incentives are incentives in the form of financial support for projects and investments aimed at reducing environmental damage. These include government grants and tax breaks that reduce tax liabilities and encourage investments aimed at reducing environmental impact.

The Economics of Violence (1920) by economist Arthur Pigou: the introduction of environmental taxes helps achieve a balance between marginal revenue and marginal costs in society. This allows for the efficient allocation of resources. Green taxes can simultaneously protect the environment and stimulate economic development. Now let's look at China's experience.



The history of the green tax system in China

1. Initial stage (1978–1991)

China's environmental and tax policies in the early stages of reform and opening-up Harmonization began. The first taxes related to environmental protection were introduced, including a tax on pollutant emissions. This became the basis for the "green" tax system. Although the system is not yet fully formed, the foundation for further development has already been laid.

2. Stage of sustainable development (1992–2012)

Following the introduction of a market economy, the green tax system gradually developed. The scope of the tax on environmental pollution expanded. Some resource taxes were also introduced. At the same time, new environmental concepts were introduced into the tax system. For example, a consumer tax on polluting goods was introduced, ensuring the sustainable development of the "green" tax system.

3. Acceleration phase (after 2013)

In the new era, building an ecological civilization has been elevated to the level of a national strategy. The development of a green tax system has accelerated. An environmental protection tax was officially introduced, and the pollution tax was replaced by another. This marked a historic step in the "tax payment reform." At the same time, the green tax system was further refined through the efficient use of resources and the inclusion of new tax types. Even before the 18th Party Congress, the foundation for a green tax system was laid from the very beginning. Under this system, certain polluting and resource-intensive products were exempted from tax. Accordingly, a resource tax and a consumption tax were introduced. Furthermore, a value-added tax was introduced to promote preferential policies for businesses operating in the environmental sector, aimed at stimulating resource conservation and environmental protection.

China's green tax system was not yet perfect. The main problems were the narrow scope of the tax base, low tax rates, Incentives provided through preferential policies are not sufficient.



has made it difficult for the tax system to fully realize its regulatory role in promoting green development. Since 2013, the green tax system construction Setting the Course: At the 18th Congress of the Communist Party of China, the goal of creating a green tax system was clearly defined. It envisions integrating the construction of an ecological civilization into the national development plan and promoting resource conservation and environmental protection through tax reform.

Introduction of an environmental protection tax in 2018, China officially introduced an environmental protection tax. This marked an important step toward establishing a "green tax" system in the country. The implementation of this tax strengthened environmental protection policies, incentivizing businesses and operators to reduce pollutant emissions.

Greening the tax reform on Based on the environmental tax, China has implemented and continues to develop "environmental" reforms of other types of taxes. For example, increasing tax rates, expansion of the scope of tax collection, adjustments to other types of taxes, such as consumption and property taxes.

This strengthens the regulatory role of the tax system in promoting environmental development.

LITERATURE REVIEW

To describe the study, an in-depth literature review was conducted and the list was entered into the database {1,2,3,4,5,6,7,8,9,}.

METHODOLOGY

By improving its preferential green tax policy, China is constantly improving its green tax incentive system. These incentives include reducing or deferring tax payments, providing preferential treatment to certain industries, and promoting resource conservation and green development.

These measures have helped businesses take a step forward toward green transformation and sustainable economic development. Let's look at the architecture of China's "green tax system":



1. Systematic and legal system of "green" tax

China's green tax system includes environmental protection tax, resource tax, consumption tax and other types of tax. Taxes are formed by incorporating taxes. Tax categories are auxiliary and cover the processes of resource extraction, production, and consumption, as well as pollutant emissions. At the same time, relevant laws and regulations are being improved, and the process of legalizing a color-coded tax system is underway to ensure green development.

2. The main content of the green tax system

The green tax system includes taxes that restrict resource extraction (e.g. resource taxes) and taxes that regulate the consumption of products that are highly polluting and energy intensive (e.g. consumption taxes).

China has specific taxes aimed at reducing environmental pollution (such as the environmental protection tax). These tax measures complement each other and, taken together, achieve environmental protection goals by incentivizing the rational use of resources and environmental protection.

The structure of the "green tax system" is determined by the main categories of green taxes: Environmental protection tax, the purpose of which is to reduce pollution. Area of application: reduction of emissions into the atmosphere, water, solid waste formation and noise reduction. Resource tax. Objective: rational use of resources. Area of application: minerals, water, forests. Other types of green taxes: tax on agricultural land, tax on vehicles. Preferential measures for green taxes: corporate income tax: incentives for green projects; value added tax: deductions for investments in environmental protection. Excise tax: tax on highly polluting products, tax on fuel. Vehicle purchase tax: incentives for low-emission vehicles, additional taxes on high-emission vehicles.

Environmental protection tax (direct impact)

This is the first green tax specifically introduced in China for environmental protection. It is an independent green tax whose primary objective is environmental protection. Its primary goal is to protect the environment and reduce pollutant emissions. This tax officially came into effect on January 1,



2018. It was introduced by abolishing the long-standing "pollution charge" system and follows the principle of "burden sharing." Its scope, rates, and standards are virtually identical to the previous pollution charge.

At the same time, each region has the right to independently determine the exact tax rate in its territory within the framework of current legislation.

This tax is intended for businesses, organizations, and industrial and business entities that directly discharge pollutants into China and its water bodies. It covers four main categories: air pollution, water pollution, solid waste, and noise. I'll take it.

It operates on the principle of "more pollution, more tax," meaning it forces producers to abandon energy-intensive and highly polluting technologies and choose environmentally friendly production technologies.

At the same time, it encourages the development of environmental awareness and a sense of corporate responsibility among businesses. It's a kind of "green tax after implementation."

green development and together represent a diverse green tax system.

Resource tax - encourages efficient use of resources, taking into account the scarcity of natural resources and environmental costs, and promotes waste reduction. The amount of tax depends on the level of extraction and use of resources.

Agricultural Land Use Tax - Non-Agricultural Construction is collected from individuals and organizations occupying land. This is not only the local budget not only helps finance, but also guides the wise use of land, protects valuable farmland and ensures the sustainability of agriculture.

Transport tax is levied on owners or operators of local vehicles and vessels. It not only contributes to local budgets but also encourages residents to use environmentally friendly vehicles, promotes energy efficiency, and reduces waste. promotes reduction.

Together, these tax categories form a multi-layered and comprehensive "green" tax system. This system ensures a harmonious interaction between economic development and environmental protection, demonstrating the positive role of tax policy in promoting environmental awareness and achieving sustainable development goals.



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If China's green tax incentives were used as an example and fully implemented in other countries, the global environmental situation would change for the better. Specifically:

The corporate income tax encourages businesses to participate in environmental projects and use resources efficiently through tax breaks and deductions. This stimulates the modernization of green technologies and industries and promotes green economic growth.

The value-added tax system includes a variety of environmental incentives. These include: integrated resource use, waste recycling, the promotion of clean energy and environmentally friendly products, pollution control, and more.

The purpose of the consumption tax is to regulate the industrial structure and develop a circular economy through high tax rates. It limits the consumption of energy-intensive and polluting goods. At the same time, it stimulates the production of environmentally friendly and energy-efficient products. This will facilitate market development toward "green" consumption.

A 10% vehicle purchase tax has been introduced, aimed at controlling vehicle consumption. It indirectly reduces pollution and traffic congestion, promoting the development of "green" tourism.

Taken together, these tax categories form the basic structure of China's green tax system. They not only promote green behavior among businesses and citizens through various tax policies, but also contribute to raising public environmental awareness and optimizing the economic structure. China has established VAT incentive catalogs, including the Enterprise Income Tax Incentive Catalog for Comprehensive Resource Utilization (2022 Edition); the Enterprise Income Tax Incentive Catalog for Environmental Protection, Energy Conservation, and Water Resources Utilization Projects (2021 Edition); and the Enterprise Income Tax Incentive Catalog for Efficient Resource Utilization (2021 Edition). Their characteristics are:

Diversification

Cooperation

Parallel rewards and punishments

Diversification Multiple tax brackets



China's green tax system includes environmental protection tax, resource tax and other types of taxes.

Favorable tax policy

This policy promotes pollution reduction and efficient use of resources.

Multifaceted political system

A multi-tax cooperative management system based on the "Four Pillars and Eight Pillars" principle has been introduced.

Cooperation

Cooperation between politicians

Various tax components work together to promote green development.

Interdepartmental cooperation

Government agencies dealing with environmental and resource issues will cooperate on issues of overall management and coordination. Jointly promote "green" development.

Government agencies support green initiatives by improving their skills and technologies.

A positive effect of the green tax reform is to stimulate the reduction of pollutant emissions.

In conjunction with other environmental policy measures, the green tax reform will be implemented in close coordination with measures such as emission permitting and environmental standards. This coordination will improve the effectiveness of pollution prevention and control and help reduce persistent pollution.

Significant progress in reducing pollutant emissions

The introduction of "green" taxes, such as environmental protection taxes and resource taxes, encourages businesses to reduce pollutant emissions. In recent years, China has seen consistent reductions in emissions of many key pollutants and has made significant progress in improving environmental quality.

By stimulating energy conservation, increased efficiency, and reduced energy consumption, tax incentives and differentiated tax rates within the "green" tax system encourage businesses to invest in energy-saving technologies, improve energy efficiency, reduce energy consumption per unit of output, and support the development of a green economy. These taxes will improve the energy system,



promote the production and use of clean energy by implementing different tax policies for clean and conventional energy, gradually optimize the energy mix, reduce dependence on fossil fuels, and support transformation processes in the energy sector.

The "green" tax system not only encourages energy conservation and emission reduction but also effectively reduces overall carbon emissions. This creates an important foundation for achieving peak carbon emissions and carbon neutrality. The effectiveness of water tax reform. The water tax reform has promoted the economical and rational use of water resources, increased water efficiency, reduced water losses, and ensured their sustainable use. Land resources have been effectively protected through the introduction of various taxes, such as a resource tax and a tax on the use of agricultural land. Natural resources, particularly mineral resources, are protected from overproduction and abuse, thereby maintaining a healthy ecological balance.

The main problems in the formation of the green tax system in China at present are:

Calling for further improvements to the green tax system, they:

- Lack of coordination between types of taxes
- The current green tax system lacks effective links between different types of taxes, such as resource taxes, environmental taxes, and consumption taxes . As a result, the synergistic effect of energy conservation and waste reduction is not fully realized, leading to a decrease in the effectiveness of the overall policy.
- It is necessary to improve the tax incentive policy.
- Although the current tax incentive policy provides some coverage, it is insufficiently targeted and implementation requirements are high. Consequently, it cannot fully incentivize businesses to make green investments or technological innovations. This limits the positive role of the tax system in promoting green development.

The environmental structure of some types of taxes does not fully reflect the value

1. Insufficient revenue from "green" taxes: Revenue from "green" taxes, such as environmental taxes, is relatively small and insufficient to effectively support



large-scale environmental and conservation projects. Therefore, their role in funding environmental management is limited.

2. Limited scale and rates of tax collection. Some "green" taxes have a narrow scope of application and do not fully cover highly polluting and energy-intensive sectors. Furthermore, because rates are set conservatively, they do not fully reflect the cost of environmental damage, making it difficult to effectively curb pollution.

It is difficult for tax authorities to audit environmental control reports of enterprises.

According to representatives of the Jiangxi Provincial Tax Administration, tax authorities are required to check business and environmental inspection data on the official website of the city or county environmental protection bureau. However, this data is checked manually, one by one, which is inefficient and increases the risk of errors and data shortages.

According to the Inner Mongolia Tax Administration, four months have passed since one enterprise was issued an environmental fine. The Henan Provincial Tax Administration also conducted a special review of the "Preferential Policy for Value-Added Tax in the Integrated Use of Resources." If a taxpayer receives an environmental fine and is not eligible for tax incentives, their right to a tax refund will be completely suspended, and previously refunded taxes will be reinstated.

Some tax authorities reported that, despite a well-established system for exchanging information with environmental authorities, the lengthy information exchange period (up to six months) could lead to tax risks. It was also reported that, in some cases, environmental fines imposed on businesses could impact their ability to utilize tax incentives.

Simultaneous application of fines and benefits - other practical problems:

If an enterprise faces environmental fines and meets one of the following three criteria, the right to use tax incentives is retained: if the amount of the environmental fine is less than 10,000 yuan, if the report is submitted within the specified period after the fine is imposed, if the environmental fine is waived.

In the first stage, tax authorities in Shaanxi, Xinjiang, Hunan, Chongqing and other regions announced that even if taxpayers pay a penalty during the reporting



period for using the comprehensive resource utilization tax, this will not affect the preferential value-added tax.

Also, if during the period of application of tax incentives an enterprise receives an environmental fine in the amount of more than 10,000 yuan, then in this case the incentives will not be valid for 36 months from the month following the month in which the fine was assessed.

Currently, the main tasks of China and other countries in developing the "green tax system" are as follows.

Improving the effectiveness of cooperation in reducing pollution and carbon emissions

- Achieving consistent effectiveness in reducing pollution and carbon emissions as the goal of reform in the new era is one of the important goals of tax reform in the new era.

This goal encourages businesses and all sectors of society to participate in environmental management through a "green tax system." The expected result will be sustainable economic, social, and environmental development.

- Improving carbon-reducing tax policies
- Improving tax policies to reduce carbon emissions, including introducing a carbon tax, increasing carbon pricing and other measures. Incentives for enterprises to reduce carbon emissions and research and develop green and low-carbon technologies through economic means.

Stimulating the economy's transition to a low-carbon future through the implementation of best practices. Regarding the deepening of reforms to the types and policies of the "green tax":

1. Improving the Environmental Protection Tax Law. It is necessary to strengthen the role of these taxes in environmental management by further improving the Environmental Protection Tax Law, defining the scope of the tax, and increasing the efficiency of its collection.

At the same time, it is necessary to strengthen the control and implementation of environmental taxes and ensure that the funds collected from them are directed only to environmental protection and management.



2. Deepening the resource tax reform. Further improvement of the resource tax, expansion of its scope of application, tax

It is necessary to adapt the tariff structure, improve the efficiency of resource use and reduce losses.

Reforming the resource tax will help direct the activities of businesses and all sectors of society toward resource conservation and environmental protection. This will contribute to the construction of a resource-efficient and environmentally sustainable society.

Deepening the reform of the types and policies of the "green tax"

3. Expanding the coverage of consumption tax. By expanding the scope of consumption taxes, it is necessary to include more polluting and energy-intensive goods. This can encourage consumers to choose "green," "low-carbon," and environmentally friendly products. Consumption taxes should be used to stimulate sustainable consumption and production.

4. Increase tax support. It is necessary to more actively support "green" production and environmental technologies through tax policy.

To this end, businesses should be provided with tax incentives and benefits, and encouraged to increase investment in environmental protection. Such policies promote the development of "green industry" and technological innovation.

CONCLUSION

Strengthening cooperation on green taxation is crucial in today's global economy and should be done in the following ways:

Coordination and cooperation within the green tax system must be strengthened. Different types of taxes must be interconnected and complementary in terms of tax coverage, rate structure, and collection management. This will help foster a common understanding and jointly promote green development. Coordination with other policies: It is necessary to strengthen the alignment between the green tax system and other environmental, economic, and social policies. The goal is to deepen the concept of green development through the effective use of legislative, economic, and administrative instruments, and to ensure the sustainable and harmonious development of the economy, society, and the



environment. In this regard, it is necessary to strengthen the use of environmental big data platforms.

This database collects, organizes, and analyzes environmental information available to government agencies and businesses. This information is used in areas such as green procurement, green financing, and public environmental decision-making.

Some tax authorities need to increase the transparency of information, which must include the name of the taxpayer, the taxpayer identification number, the volume and name of the processed resources, and the types of products and services they produced.

However, when Green Jiangnan inquired about the information, it was found that some tax authorities did not publish the information in a timely manner.

Secondly, the public should be informed about businesses that have not fully utilized the annual tax breaks or businesses that are receiving the breaks for the first time.

This information should be made public, especially since companies using tax incentives for the first time are not subject to previous environmental fines.

Third, if an enterprise violates tax incentives, tax authorities must promptly disclose information about this, strengthen the deterrent effect, and maintain a favorable tax climate.

China has a long-standing but continually evolving environmental protection system. National efforts focus on three main areas: reducing pollution, reducing greenhouse gas emissions, and conserving resources. To support these three priorities, a number of tax incentives are implemented through various mechanisms. These include reductions in corporate income taxes or income source taxes, increased value-added tax refunds, and tax breaks. To achieve climate change and net-zero emissions goals, a deeper understanding of the impact of "green" taxes and incentives in different regions is necessary.

Governments are introducing "green" taxes, grants, and tax breaks to achieve environmental goals effectively and cost-effectively. At the same time, companies can use these "green" taxes and incentives to reduce carbon emissions and increase profits. The United States and China, the largest carbon emitters, have implemented market-based instruments to reduce greenhouse gas



emissions. The European Union, meanwhile, is striving to achieve the world's most ambitious goal—a 40% reduction in greenhouse gas emissions by 2030. Unlike the EU's goal under the European Green Deal, which is to achieve climate neutrality by 2050, China's 2060 target only calls for carbon neutrality.

PwC's Green Taxes and Incentives Tracker platform is designed to help companies track climate-related issues and carbon-related taxation. It covers 88 countries and territories worldwide and includes more than 800 different environmental taxes and incentives. Using the platform, you can analyze data on environmental taxes and incentives in 22 countries. This data shows the extent to which each type of tax and incentive is utilized. Furthermore, green taxation can promote sustainable growth, ensure intergenerational resource equity, and maintain tax revenue levels for governments, allowing them to reduce other taxes that are not aligned with the UN's sustainable development framework, such as payroll taxes.

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