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Fiscal and Tax Policy of the Central Soviet Area Such as South Jiangxi

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Abstract: In recent years, China's economic has developed rapidly, however, the Central Soviet Area which made a great contribution and sacrifice for the Chinese revolution is still in poor situation. Fiscal and tax policy is one of the most effective means to develop the regional economic. We analyze and summarize the different types of fiscal and tax policies promulgated to support the regional development and take into account the region characteristics of Gannan and economic strength. And on these bases, we put forward, making full use of fiscal and tax policies of the Western Development, increasing transfer payments to the Central Soviet Area, supporting mineral Industrial development and environment protection, guiding and promoting sustainable development of characteristic industry and establishing the investing and financing system, these five fiscal and tax policy recommendations.

Key words: Gannan region, soviet area, fiscal and tax policy, service construction

INTRODUCTION

The area known as the Central Soviet Area and the cradle of the Republic, was once the temporary central government of Chinese Soviet Republic (Fig. 1). The people of the Central Soviet area experienced 6 years' difficulties and hardships of democratic revolution. During this period, the people in this area, providing large amounts of supplies and military fee (such as 840000 piculs of grain and about 1500000 military fee), had made a great contribution for the Central Red Army. The people also became the main force of the Red Army and accounted the number for 65% in the Long March.

And the names of the revolutionary martyrs on the land of Gannan, having been recorded, accounted for 7.5%. Only on the Long March, there were about three Gannan Red Army soldiers sacrificed averagely every kilometer. All in all, Gannan has made tremendous sacrifice and contribution for the Chinese revolution.

In today's environment of developing market economy, however, the development of Gannan region is relatively slowly and still in poor situation. In 2011 the economy gross and finance income of Ganzhou only accounted for 0.28 and 0.17% of China which accounted for 0.41% of the national land and 0.68% of the total population (Table 1). Eight of the eighteen counties in Ganzhou City are China's poor county occupying 45% and the city's poverty rate is 29.99% which is 16.5% higher than the national level and the degree of well-off target is 10.3% lower than the national level. compared several related indexes of surrounding cities with Ganzhou

that total land area and the population of Ganzhou is about 2 times or more but GDP per capita and GDP unit area land are at a disadvantage.

Fiscal and tax policy is defined that financial support policies and preferential tax policies in a particular region according to the requests of political, economic and social development and industry during a certain period. Fiscal and tax policy is an important economic means to adjust economy for government and make up the "market failure". It is essential to support some area and some industry development.

APPROACHES FOR GOVERNMENTAL TO SUPPORT THE DEVELOPMENT OF AN INDUSTRY OR AREA THROUGH FINANCE AND TAXATION POLICY SERVICE

Fiscal and tax policy is an indispensable economic mean to promote regional competition ability and stimulate regional cross-domain development (Xiao, 2012). From the state's western Development, revitalization of Northeast China, mid rise abruptly, Tianjin Binhai New Area construction, the northern Gulf of Guangxi and other strategies of regional development, as well as the State Council approval of the Pearl River Delta, the channel West Bank Economic Zone, Jiangxi Poyang Lake, Wanjiang in Anhui and many other regional development plans, which all involve a lot of fiscal and taxation policies and measures which play an important role for the development of region and related industries, specifically include the following categories.

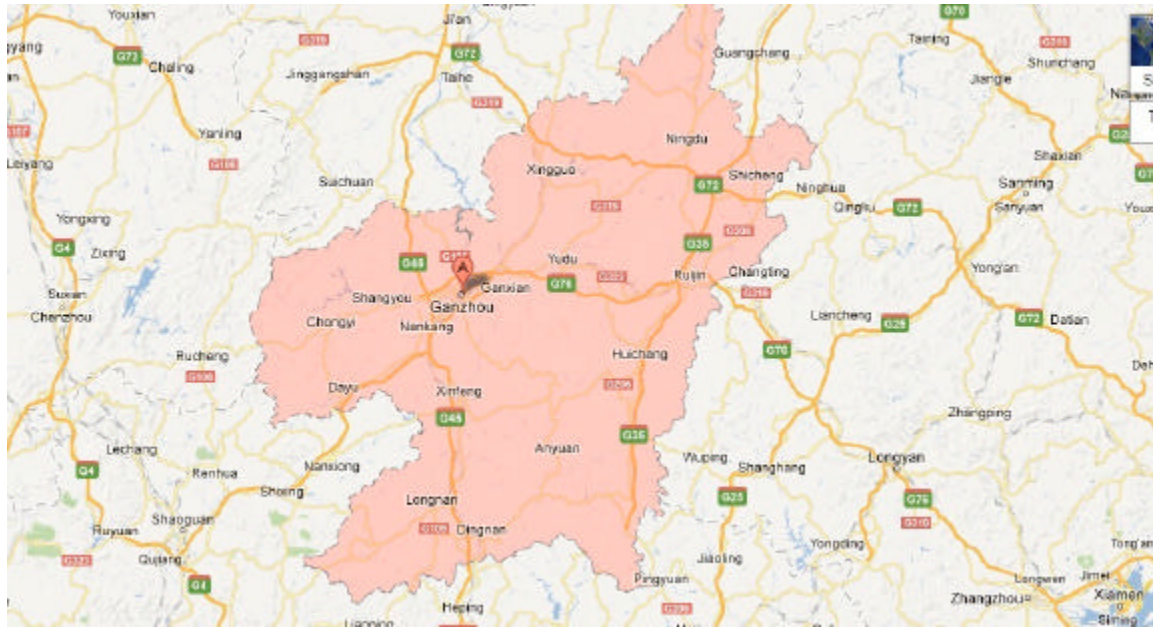


Fig. 1: Map of the central revolutionary base area

Table 1: Several indexes for Ganzhou, Jiujiang, Longyan and Chenzhou in year 2011

	Land area (10000 km ²)	Popula-tion (10000)	Finance Income (100 million yuan)	GDP (100 million yuan)	Per capita GDP (yuan)	Unit square kilometer GDP (ten thousand yuan)
Ganzhou	3.94	837	180.32	1335.98	16542.8	339.08
Jiujiang	1.88	473	161.80	1256.41	26789.1	668.30
Longyan	1.91	256	206.45	1259.87	41307.2	659.62
Chenzhou	1.94	458	150.70	1346.40	28586.0	694.02

Measures of fiscal policy: Fiscal policy refers direct or indirect finance and other fees policy support measures to a specific area or industry. Fiscal policy is a main policy tool in the regional development planning which have been implemented or replied. Its main forms have:

Financial transfer payment policy: It is fiscal funds from superior government to the lower government. If the transfer payment has additional conditions of use, is a special transfer payment, otherwise, it is the general transfer payment. In general, fiscal transfer payment is the main measure as security policies and measures of regional development planning. The specific fiscal transfer payment policy can be divided into three categories. One is general financial transfer payment policy measures, for example, increment of financial transfer on western ethical region in China and special transfer on western region. Another is a combination of the functional positioning and development direction and regional actual situation, giving a particular special transfer payment. As the central government to give northeast 3 provinces (2004, 2005) social norm allowance,

compensation benefits, enterprise depart. The last one is the special subsidies of infrastructure construction. This is infrastructure grants given by the central government explicitly in certain period, such as the special subsidies of Tianjin Binhai New Area development and construction in five years.

Fiscal investment policies: Financial investment policies are supportive measures on the infrastructure, industrial layout, specific project and so on. In the regional development planning that central approved, of which the vast majority have measures to increase investment in the central budget guarantee (Li and Li, 2012), such as, reducing the local investment proportion appropriately in the central investment projects in old revolutionary areas and ethnic areas, supporting the development of characteristic industry and the construction of major projects and so on. On the Western Development, the measures they take are improving the 2central capital investment, increasing proportion to the western major infrastructure investment and increasing special investment on western development. The development

plan of Liaoning coastal economic zone clearly stipulated: Supporting the layout of major projects, land and the use of sea area, increasing the intensity of investment on the area of energy, transportation, water conservancy and construction of urban and rural infrastructure investment.

Other fiscal policy: This is fees, purchase and other related financial support policies in addition to the transfer payment and financial investment policies. It basically includes finance fees policy, government purchase policy, discount policy, fund policy and so on, such as relaxation and relief policy on Western Development plan; Beijing Municipal People's government actively makes use of government procurement policy in support the construction of the Beijing Zhongguancun national innovation demonstration zone; giving loan discount to the central region of the national economic and technological development zones and high-tech Development Zone public infrastructure project; taking advantage of the central foreign trade development fund to support trade and economic development outside the central region.

Measures of tax policies: Preferential tax policy is to give the object of taxation a variety of preferential tax (Li, 2012). There are mainly three categories in the regional planning has been approved.

Certain preferential tax: Certain preferential tax is that the program content and duration of preferential tax policy have been given to clear. For example, in the West Development Strategy which provides the Western Development zone can enjoy preferential income tax, preferential income tax on industry, infrastructure construction and import tax preference (Li and Li, 2012). The certain preferential tax measures in the revitalization of the old industrial base of the Northeast, including exemption from business tax arrears before 1998, import tax preferential trade with reference to Western, export tax rebate, the proportion of less than 40% of shortened depreciation period income tax benefits on the fixed assets of industrial enterprises and intangible assets in the form of the transferee or investment and so on. Several measures in regulation has been made to promote mid area to raise abruptly, such as 26 cities and 243 counties in the central region can accord to the implementation of the revitalization of the old industrial bases in Northeast China and the Western big Development policies.

Implementation of the preferential tax: Implementation of the preferential tax is the exploration of tax policy in the local area (Rong, 2011). For example, the revitalizations of

northeast old industrial base's policy measures include: From July 1, 2004, taking the lead to execute production value-added tax for consumption type in the 8 Industries in northeast provinces of China and offset value-added tax from the enterprise buying machine equipment. It requires to adopt more flexible and open policies, foretaste ahead of the rest, to establish exchanges and cooperation between cross-strait people, allowing trade, shipping, tourism, culture, education and other aspects of communication and cooperation in the comprehensive economic cooperation framework on several opinions of the construction of the West Strait Economic Zone.

Guidance of preferential tax: The Development Plan of Guangxi Beibu Gulf Economic Zone and a number of observations mentions that guiding the Beibu Gulf Economic Zone is a good example. (Su, 2010). Another example is Zhongguancun science and Technology Park. In the park, the government introduced a pilot policy of high-tech enterprises identified management, pilot policy of research and development expense deduction, pilot policy of employee education expense deduction and pilot policy of equity incentives of individual income tax. These policies are the backbone of constructing of national innovation demonstration zone.

Implementation of preferential tax: In comprehensive development model district development planning of the Poyang Lake valley, it requires goods in line with the national industrial policy, including the comprehensive utilization of resources, alternative energy and clean production, energy saving, environmental protection equipment and other products. The Development Plan of the Wanjiaochang City belt, undertaking the transfer of Industries Demonstration Zone, requires areas in accordance with the conditions of the enterprise should effectively implement the tax preferential policies according to the new tax law provisions.

CONCLUSION AND POLICY SUGGESTIONS

On June 28, 2012, the State Council formally approved the Several Opinions on supporting the Revitalization and Development of the Original Central Soviet Area which is the second major national regional development strategy after Poyang Lake ecological economic zone in Jiangxi Province and brought historic opportunity for the in Central Soviet area. From western development, northeast revitalization to the rise of the central region and the Revitalization Plan for Shan Ganning Old Revolutionary Areas approved in March of this year, the implementation of regional development

planning are inseparable from the support of fiscal and taxation policy in more than a decade. It is significant to make effective and feasible finance and taxation policies in the central Soviet Area to speed up the region's economic development.

Make full use of fiscal and taxation policy in western big development: Several Opinions made implementation of the western development policy in Ganzhou city clear. Though this article only has one sentence, it contains rich and significant content. In 2001, the Implementation Opinions Notice of Some Policies and Measures about the development of the western Region developed 14 related tax policies; these policies have basically been implemented and obtained certain results. For example, the general transfer payment scale of the central finance was increased from 5.3 billion yuan in 2000 to 183.6 billion yuan in 2009 to western, at an average annual growth rate of 48.4%. From 2000 to 2010, the total investment amounts of the central finance special transfer payment on western water conservancy infrastructure was 1270 billion yuan which accounted for 34% of investment in water conservancy at the same time (Li and Yue, 2008). The preferential tax policies have been basically implemented, for example, the domestic-funded enterprises and foreign-funded enterprises located in the western regions of the country were reduced to 15% according to the enterprise income tax from 2001 to 2010. The fiscal and taxation policies play an important role in promoting western economy. Ganzhou city tax data displays that the enterprise income tax of encouraged enterprises located in the western region reduced to 15% from the original 25% in accordance with the great western development policy. Calculating by Ganzhou data in 2011, this one policy just can make nearly 5000 enterprises reduce the tax burden of 277 million yuan. If western big development policies can be carried out, it will give the original Central Soviet area great historical opportunity. In order to support the development of the Soviet Area, Provincial Department of finance gave the policy of fiscal and tax preferential special support for Central Soviet Area Such As South Jiangxi, after an investigation and combined with the actual situation. In early 2012, the provincial finance has provided the special subsidy fund of original Central Soviet area, 10000000 yuan per county, and the fund is mainly used to support poverty leading industry to accelerate development, develop the distinctive pillar system for poverty alleviation, expand stable income sources of the poor masses.

In order to encourage the original Central Soviet area in south of Jiangxi to accelerate its development, the

provincial finance established a series of fiscal incentive mechanism, such as award for fiscal revenue to double, fiscal revenue rise steps, prize of industrial rise step and so on which mobilize the original Central Soviet area enthusiasm, initiative and creativity and encourage the area to accelerate development through its own efforts to form hematopoietic function by itself. At the same time, the provincial government will further support on the difficulties and problems existing in the process of economic and social development of the original Central Soviet area in south of Jiangxi. Western big development involves many provinces, cities, municipalities while the original Central Soviet region is limited but problems they faced are convergent. Therefore, actual operations can be learned from the main practice and advanced experience of western big development policy in similar circumstances and we should plan projects to suit one's measures for local conditions and make good use of policies to translate the policy into the power of development (Jia and Ma, 2009).

Increase central finance and financial transfer payment to the Central Soviet area: The important strategic positioning of revitalization and development in the original Central Soviet area is the "national old revolution poverty alleviation demonstration zone" and the primary task is to solve livelihood problems, that is, "to solve the outstanding problems of people's livelihood as soon as possible and effectively improve the working and living conditions (Jia and Qian, 2011)." As a means of reducing financial imbalance and promoting social justice policy, financial transfer payment policy is the effective way to solve the problems of people's livelihood. First, increase central finance payment and strengthen the central government special subsidy to the South Regional. Special preferential tax policy clearly stipulates: Ganzhou implements the Western development policy. To further increase the financial equalization transfer payments and gradually narrow the gap between revenue and expenditure of local standards. the central government should increase financial benefits on the original Central Soviet area in Ganzhou region, and increase efforts to support the central special lottery of Ganzhou social welfare undertakings. The central government's transfer payments for Gannan region are focused on resolving the problems of people's livelihood as the basis, gradually raising the level of basic public services. Because traditional "target" lacks of substantial basis, we need to establish the "factor" as the basis of standard financial transfer payment system. Some less susceptible to artificially controlled factors can reflect the revenue and expenditure, such as population, city level, GDP of

average per capita, population density to determine the transfer payments. As to the central government to local government earmarks, increase region's special subsidy and clearly define local government special fund for the project designated by central government. Second, increase finance financial transfer payment to Jiangxi Province to solve the people's livelihood. In the rural reconstruction, strengthen the special capital to water, electricity, roads and other infrastructure construction, education, medical and health. Third, avoid the occurrence of local matching funds dilemma. The central financial transfer payments to the local governments often require local financial support, but some impoverished counties and towns do not have the ability to solve the matching funds, so sometimes areas difficult in capital are hard to get financial help. This kind of situation exists in the original Central Soviet Area; therefore, the central financial transfer payment should be arranged according to the specific local conditions with timely assistance rather than the icing on the cake.

Support the mineral industry development and environment protection through a variety of tax policy:

Several Opinions positions the original Central Soviet strategic as the rare metal industry base and southern important ecological barrier. The Ganzhou region has rich rare earth resource and the rare earth industry is the main pillar industry but the development of mineral products has brought the ecological environment destruction. At present, because of environmental pollution caused by the rare earth mining, the costs for mine environment restorative treatment is estimated as high as 38 billion yuan, however, by the end of 2011, 51 rare land companies in Jiangxi Province annual remain income was 32.9 billion yuan and profit was 64 billion. This number cannot be compared to the cost; even the rare earth industry in recent years is "the loss outweighs the gain". Dealing with the strategic positioning of developing the rare metal industry base and achieving the vegetation recovery and ecological environment improvement at the same time is essential. The government needs to proceed from finance and taxation policy, improve and perfect mineral resources tax and fee system, and improve the ecological compensation mechanism. In theory, the mineral resources ecological environment restoration margin payment proportion arrives around 20% of mineral development value, which only forms certain environmental damage cost for mine enterprises pressures. From the lawful mining enterprise, year hand-in rare earth resource tax amounted to only 300 million. In last few years all of mine enterprise environment margin over 417 million yuan, together with environmental

recovery and management cost. The difference is very big. On one hand, put the new resource tax income into budget account as the special funds for ecological restoration and protection. On the other hand, perfect and adhere to mineral resources ecological environment restoration margin payment. Phasing payment proportion gradually reaches 20% of the mineral development value, if the mine enterprises were effective regulated in the period of mining, ecological environment would be better to repair. After mining, the deposit can be returned to the enterprise; otherwise, local government can directly use the deposit to curb environmental pollution produced by enterprises.

Guide and support to promote the sustainable development of characteristic industry through the finance and taxation policy:

Local economic development and the formation of pillar industry are all inseparable from the guidance and support of local fiscal policy. The reaction on development of the industry from policy direction requires the policy introduced by the state and the government have the reliable evaluation and rational expectations, it is necessary to consider the economic benefits, characteristic development but also attach importance of sustainable development (Li and Zhang, 2008). In 2011, real estate enterprises and mineral products enterprises accounted for 64% of the enterprises that tax of tens of millions in Ganzhou. Enterprises tax more than fifty million mainly is the enterprises of cigarette, real estate, power and non-ferrous metal mineral products. This shows that real estate enterprises and mineral enterprises is the main source of financial income in Ganzhou. Both of them lack of sustainable development, fluctuate largely by the national regulation and market and the ability of resisting risk is poor. Looking for new and sustainable growth point should be the development direction in the future. Characteristic industry should win by the characteristic of special and the sustainable development pay attention to long-term development. An area with unique resources, culture, technology, environment and other aspects of the advantages can forms one or several industries with international, local characteristics and market competitive force. In Several Opinions, it put forward that the original Central Soviet Area should develop to red cultural heritage innovation area, the characteristic agricultural production and processing base. Compared with rare earth industry, the two industries are more sustainable and characteristic.

Investment in tourism projects in Ganzhou City has achieved about 15 billion in initial investment. In the future, the development still needs the guidance and

support of fiscal and taxation policy. The maintenance of infrastructure in scenic spots and tourism promotion still need certain tourism development special funds arranged by the local to complete, as well as to guide enterprises and social capital to increase the investment in tourism. For the enterprises which engage in tourism service, in the tourism scenic spots, the enterprise income tax can be exempted in a certain period of time and self-use real property tax and land use of the urban land use tax can be shared partly. Tourism enterprises which be encouraged to development can enjoy the enterprise income tax relief policy.

From the development of characteristic agricultural production and deep processing base, at present, Ganzhou city has introduced the development plan of navel orange industry and which will work in 2012-2016 year. Navel orange industry is the most outstanding characteristic agricultural industry in Ganzhou. To create the world's largest navel orange industry base with international influence and market power, it needs to establish a comprehensive financial support system, including financial credit, price subsidies and agricultural insurance, etc. Based on the central and provincial finance special funds and support agriculture project financing, we should innovate the investment in credit, increase the industrial specialized credit products and provide high quality credit service to the leading enterprises, professional cooperatives and farmers. In the tax revenue, value-added tax and consumption tax in Ganzhou which exceed the base portion will be returned and used in production to support the development of navel orange industry.

Support the development in the Central Soviet Area through the establishment of investing and financing system:

From 2012 to 2020 ,in these eight years, the central government will give the original Central Soviet area of 1 trillion yuan as support funds, to help the Soviet people finally realize "common prosperity ". Among it, Ganzhou will receive 564.4 billion yuan, the rest of it belongs to Ji'an and Fuzhou city. In addition, the Jiangxi provincial government will also carry on the corresponding " matching", also has nearly 100 billion of funds into the Central Soviet area of Gannan. Ganzhou Municipal Development and Reform Commission said that the national funds will major support of people's livelihood, infrastructure and rare earth, tungsten industry etc. in the original Central Soviet areas. Before, Jiangxi has first introduced a corresponding support policies and lists of up to 16 billion yuan in the budget. Only for the Poverty Alleviation Project, that is to invest 2.6 billion yuan. After the introduction of Several Opinions, Jiangxi

provincial finance also set up subsidies for the Central Soviet Area and arrangements the annual helping the county subsidies 10 million yuan for 18 counties (city or area) in Ganzhou, Ji'an, Fuzhou and other former Central Soviet area key support areas. The special funds arranged by provincial government used for economic and social development should incline to the original Central Soviet area.

With the help of Soviet revitalizing, get the central financial and the central transfer payment of funds. Combined with the level of financial support, establish investing and financing systems which are related to the special transfer payments. We should strive to build the people's livelihood development fund, land reserve and turnover funds and industrial investment guarantee funds. At the same time, we should use financial advantages and policy financial mechanism to increase bond-funds investment and consider the adoption of fiscal discount and other ways to provide investment guarantees and investment earnings for development project in Gannan area and attract more social funds to invest. With the country's support in the construction of rare earth resource, tungsten resources and orange and other comprehensive demonstration base, explore and establish the market transaction and financial settlement platform of rare metal, rural land use right, forest right, carbon sequestration and navel orange, etc. In addition, it is also necessary to give aid to the strong and competitive enterprises in local area, to accelerate breeding the resource of listed enterprise, and to promote enterprises listing and financing.

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