

[DOI: 10.20472/IAC.2016.025.009](https://doi.org/10.20472/IAC.2016.025.009)

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DESIGNING TAX POLICY TO PROMOTE AGRICULTURAL COOPERATIVES AND ENVIRONMENTAL PROTECTION IN CHINA

Abstract:

The Chinese government has among its critical policies two clear policy imperatives – 1. to protect and improve its natural environment and 2. to encourage membership of agricultural cooperatives and ensure their development.

On one hand, there can be a tension between these two objectives, as an increase in agricultural cooperatives could lead to greater environmental degradation through more damaging farming methods such as greater mechanisation and increased use of chemical fertilisers. On the other hand, there are potential synergies between the two goals as well-operated cooperatives can bring environmental benefits through such improvements as efficiencies of scale, more sophisticated farming practices and greater education on soil and water conservation. This paper examines, with a primary focus on tax policy, the Chinese government’s role in setting where the balance between these two potential outcomes – tension or synergy - will ultimately fall.

The paper describes the history of agricultural cooperatives in China and considers why the Chinese government would wish to encourage their development. It then, with a view to identifying what incentives the government might offer, considers what factors motivate farmers to join cooperatives. It considers the role of tax policies, drawing on case studies from three provinces at different stages of development for insights on the impact of local variations, and examines the recently introduced draft Environmental Tax Law and considers what part it could play in the role of agricultural cooperatives in environmental protection.

Keywords:

China

Environment

Tax Policy

Agricultural cooperatives

JEL Classification: K34, K32