

# The Influence of Export Tax Rebate on the Export of Three Kinds of Products

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**Abstract:** Since 1985, China began to implement the export tax rebate policy, mainly through adjusting the export tax rebate rate of goods to affect its profit rate, thus affecting the export scale of goods, and gradually regard the export tax rebate policy as one of the important measures to adjust the economic operation, and make adjustments according to the actual situation of economic operation. This paper reviews the history of some major adjustments of export tax rebate policy, collects relevant data, reflects the great changes of China's total export and its commodity structure, and makes in-depth analysis and summary of these changes.

**Keywords:** tax refund policy; two high and one resource; spin; High tech

## 1. Introduction

Export Tax Refund (Exemption) refers to the refund of value-added tax and consumption tax paid in the process of domestic production and circulation of export goods. This measure can significantly enhance the price advantage of export products, so as to promote export growth. The export tax rebate policies of "two high and one resource", textiles and high-tech products have the characteristics of keeping pace with the times. This paper analyzes the impact of policy changes in different economic environments on their export volume and on China's export product structure.

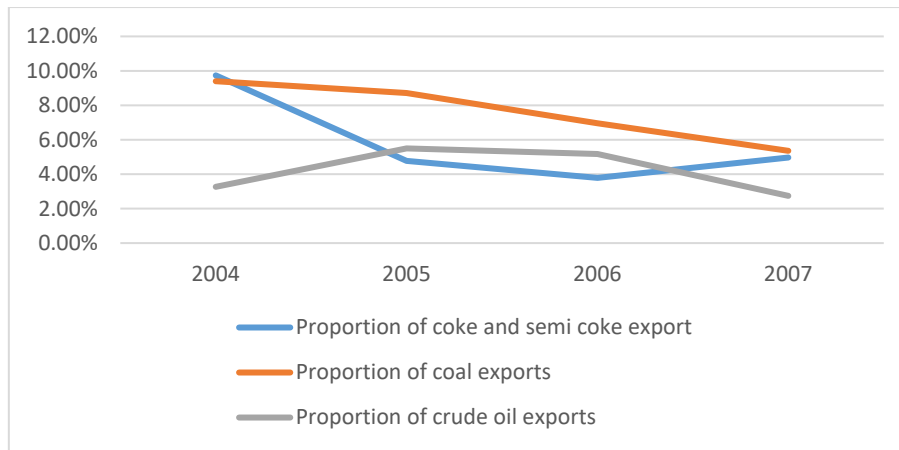
## 2. "Two high and one resource" products

High energy consumption, high pollution and resource industries (hereinafter referred to as "two high and one resource") are important supporting forces for China's economic development, and play an important role in the development of national economy. However, the development of "two high and one resource" industry has also brought a lot of environmental pollution problems and damaged the interests of the masses. How to seek advantages and avoid disadvantages and realize sustainable development is an urgent problem to be solved. Since 2000, the Chinese government has attached importance to and implemented many relevant policies and measures. Table 1 shows some measures up to 2007, which shows China has made great achievements in adjusting the tax rebate policy of restricting the export of "two high and one resource" products. Figure 1 shows the direct effects of these measures.

Table 1: Export tax rebate policy of "two high and one resource" in some years

|      |   |
|------|---|
| 2005 | The export tax rebate rate of some "two high and one resource" products will be lowered and cancelled by stages and in batches. |
| 2006 | Export tax rebates for some resource products such as coal and natural gas were cancelled.                                      |
| 2007 | The export tax rebate rate of 553 "two high and one resource" products was cancelled.   |

Data sources: Collected by the General Administration of Customs of China



Data sources: China Statistical Yearbook

Figure 1: Proportion of export volume of some representative products of "two high and one resource" in export volume of primary products (2004-2007)

Here are three types of primary products, coal, coke, semi coke and crude oil. In 2006, such products generally showed a downward trend. According to the investigation and statistics of China Customs, the export of crude oil was 6.3372 million tons, down 21.4%; the coal export volume was 63.273 million tons, down 11.8%. It can be seen from Figure 1 that after the adjustment year, the proportion of these three categories in the export of primary products has a significant downward trend. It shows that reducing the export tax rebate rate has a restraining effect on the export of such products.

The reason why the country restrains the export of "two high and one resource" is that such products mainly rely on high input and low price to expand the market. Excessive production and export will lead to resource waste, ecological pollution and other problems, which is not conducive to sustainable development. At the same time, there are many benefits to reduce the export tax rebate rate of such products. In the long run, enterprises with superior products will gain greater core competitiveness from promoting the optimization and adjustment of industrial structure; In terms of short-term benefits, it will restrain its exports, increase domestic supply, and have a certain long-term negative impact on product prices and profit margins [1].

### 3. Textile

The export trade of China's textile industry plays an important role in the international market. In the early labor-intensive industries, the textile industry not only promoted the growth of national economy, but also promoted the export, consolidating China's position as a big trading country. The increase and decrease of export tax rebate policy on the export tax rebate rate of textile industry witness the process of gradual improvement of the policy, which has a strong representative in the policy reform. Table 2 just shows the early policy adjustment and its significant benefits. Through the analysis of the adjustment form of export tax rebate policy of textile industry, we can better understand the relationship between export tax rebate policy and export trade and national economy [2].

Table 2: Textile export tax rebate policies in some years

|      |   |
|------|---|
| 2004 | The export tax rebate rate of textiles and clothing has been lowered from 15% and 17% to 13%. |
| 2006 | Textile export tax rebate rate was reduced from 13% to 11%.                                   |
| 2008 | Textile and clothing increased to 14%.  |
| 2009 | Textile and clothing increased to 15% and then 16%.   |

Data sources: Collected by the General Administration of Customs of China

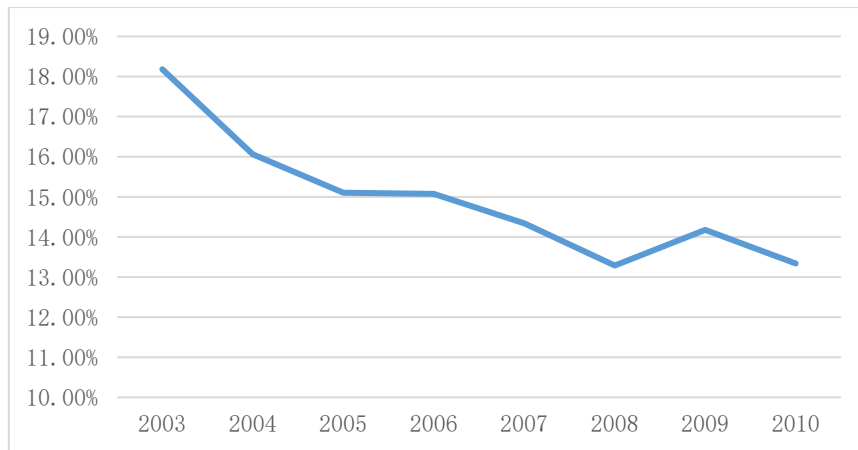


Figure 2: Proportion of export volume of textile raw materials and textile products in industrial finished products (2003-2010)

As can be seen from Figure 2, the proportion of exports of this kind of products shows a downward trend as a whole.

In 2004, in order to deal with the trade friction and disputes of China's textile industry, maintain the international dominant position of the textile industry, and deal with the complex economic form, China reduced the export tax rebate rate of clothing and cotton textiles.

In 2006, China's foreign exchange increased significantly at that time. In order to reduce the trade surplus and optimize the product structure, China also lowered the export tax rebate rate of such products.

In 2008, in order to cope with the economic crisis, the export tax rebate rate of such products was increased, and promoting the export growth of such products will help to solve the problem of population employment. China has abundant labor force, and it has absolute and comparative advantage in international competition to produce labor-intensive products. Therefore, appropriately increasing the export tax rebate rate of such products conforms to the needs of society and the development of the times.

From 2000 to 2008, the export proportion of traditional intensive products showed a downward trend, indicating that China's reduction of export tax rebate rate played a certain role in restricting the export of low value-added products [3].

#### 4. High tech products

In 2004, with the rapid growth of China's export trade and the appearance of huge foreign exchange surplus, China began to implement the differentiated export tax rebate policy, increase the support for high value-added and high-tech export products, thus enhancing the international competitiveness of China's high-tech products and effectively leading the adjustment of national industrial structure [4]. Table 3 shows that since the beginning of this century, China has been trying to change the export tax rebate structure to guide the layout, transformation and upgrading of the industrial and consumption structure.

Table 3: Export tax rebate policies for high tech products in some years

|      |   |
|------|---|
| 2006 | The export tax rebate rate of some major technical equipment, it products and high-tech products increased from 13% to 17%. |
| 2008 | The export tax rebate rate of some high-tech and high value-added commodities increased.                                    |
| 2009 | The export tax rebate rate of aviation inertial navigator, industrial robot and other products increased.                   |
| 2018 | Increase of export tax rebate rate of mechanical and electrical products.   |

Data sources: collected by the General Administration of Customs of China

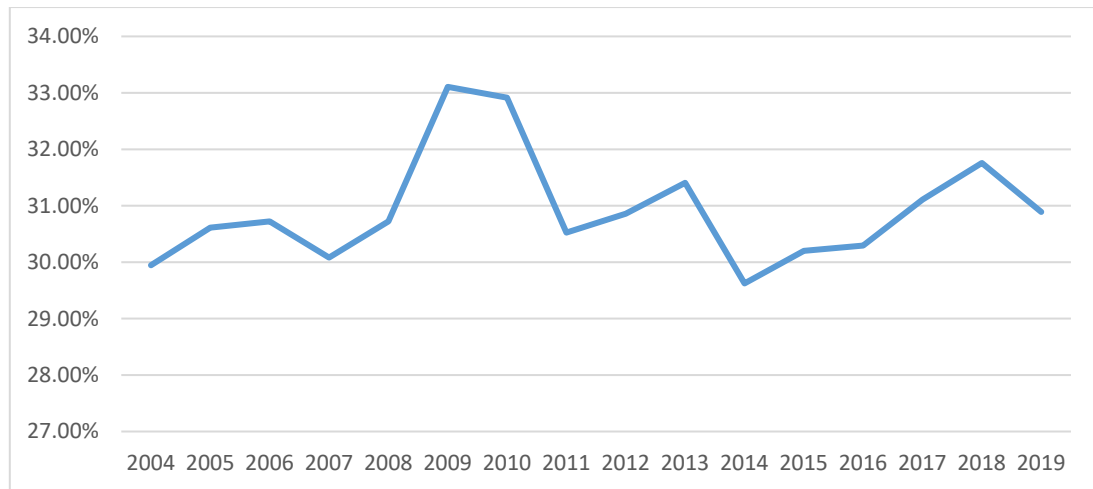


Figure 3: Proportion of export volume of high tech products in industrial finished products (2004-2019)

It can be seen from figure 3 that in 2008, in order to cope with the decline of exports caused by the economic crisis, the government increased the export tax rebate rate of some high value-added products, and such products maintained a relatively large growth trend in the period of economic downturn. Promoting the export of high-tech products can stimulate economic development and help to alleviate the pressure brought by the financial crisis.

Moreover, innovation is the source of vitality for the development of enterprises. The state strongly supports the development of high-tech products and promotes the export of such products. It not only effectively guides the enterprises to optimize the modern industrial structure, but also improves the ability of independent R & D innovation, thus promoting the development of China's economy and science and technology [5].

On the premise of stable export growth, China should not only protect industries, but also make different policy choices based on the degree of opening to the outside world and the actual economic environment. For the products with large demand elasticity, we should maintain a higher export tax rebate rate. The decline of product prices can significantly increase the demand in the international market and promote exports. For the same product, there will be different policy adjustments according to different environmental factors.

The export tax rebate policy restrains the export of textile, clothing and other products with relatively low added value and technological content. Most of these products are labor-intensive products. At the same time, it promotes the export of high-tech products and other products with high added value and technological content, and develops some technology intensive industries, such as machinery, electronics and other industries. This reflects that China's export tax rebate policy has a positive effect on the promotion of trade competitiveness index of high-tech products, and also reflects the development trend of China's export products from labor-intensive to capital and technology intensive.

## 5. Conclusion

Speed up industrial adjustment and improve the technical content of the textile industry. When the textile industry is frustrated, adjusting the export tax rebate rate can alleviate the short-term dilemma, but industrial upgrading is the fundamental. Reduce the export tax rebate rate, make low-end textile and garment companies face elimination, and promote technological upgrading. Only through multi-level, multi-faceted and all-round industrial adjustment can we gain a firm foothold in the international market.

Continue to take measures to restrict the export of "two high and one capital" products. Encourage the export of environment-friendly products, achieve sustainable development, and promote the coordinated development of foreign trade, resources and environment.

The state should vigorously encourage the development of high-tech products. Nowadays, China's labor advantage is becoming less and less obvious, so we must develop some high value-added and high-tech industries, and customize differentiated and flexible export tax rebate policies for these industries at the same time.

In the process of continuous improvement of the policy, the phenomenon of tax fraud continues to exist. Relevant departments should continue to optimize the export tax rebate mechanism behind closed doors and create a fair, just, healthy and transparent export tax rebate policy environment. The state should also improve the laws and regulations related to the export tax rebate policy in order to better accurately enforce the law and supervise. With the rapid development of science and technology, relevant departments can also maximize the benefits of the export tax rebate policy with the help of scientific and technological means and big data.

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