Strategies for Improving the Quality of Local Fiscal Revenue

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Abstract: This article analyzes the current state of fiscal revenue quality in City X and its influencing factors. Firstly, the fiscal revenue primarily comprises general public budget revenue and local public budget revenue. In 2023, the fiscal revenue faces instability, marked by a declining share of tax revenue and an increasing reliance on non-tax revenue, intensifying pressure on fiscal balance. Secondly, adjustments in the industrial structure significantly impact fiscal revenue quality, as the transformation of traditional industries and the development of the tertiary sector present new opportunities and challenges. Lastly, optimizing the fiscal expenditure structure is crucial for enhancing revenue quality, requiring a balance between meeting public needs and ensuring fiscal sustainability. To this end, it is recommended to strengthen tax administration, regulate non-tax revenue management, and promote the upgrading of the secondary industry, thereby improving the efficiency of fiscal fund utilization for stable revenue growth and sustainable development.

Keywords: Fiscal Revenue Quality; Non-Tax Revenue; High-Quality Development; Industrial Structure

1. Introduction

Fiscal revenue quality is a significant indicator of the healthy development of local economies, as it not only pertains to the government's capacity to invest in public services and infrastructure but also affects the sustainable development of the local economy [1]. In today's complex and dynamic economic environment, local finance faces numerous challenges and opportunities. As an important city in the central region, City X's economic development and fiscal conditions are representative. With the globalization of the economy, adjustments in the domestic economic structure, and intensified regional competition, analyzing the current state of fiscal revenue quality in City X and identifying optimization strategies are crucial for the city to address economic challenges, ensure public welfare, and promote the upgrading and optimization of its economic structure [2].

2. Analysis of the Fiscal Revenue Situation in City X

2.1 Basic Overview of Fiscal Revenue

As an important city in the central region, City X has achieved significant economic development in recent years. According to Table 1, the Gross Domestic Product (GDP) of City X increased from 362.42 billion yuan in 2019 to 438.57 billion yuan in 2023, with an average annual growth rate of 4.8%. This growth reflects City X's efforts to actively adapt to market changes, adjust its industrial structure, and optimize the investment environment in the process of promoting economic development.

In terms of fiscal revenue, City X' s revenue primarily comes from general public budget revenue and local public budget revenue. According to data from 2023, the general public budget revenue amounted to 20.22 billion yuan. Currently, City X faces challenges regarding the stability and sustainability of its fiscal revenue, particularly in the context of a complex and changing global economic landscape, where local fiscal revenue growth is influenced by multiple factors [3].

Additionally, City X's fiscal revenue is affected by policy-driven tax reductions and changes in the socio-economic environment. For instance, recent national tax reduction policies for small and micro enterprises have alleviated the tax burden for some businesses, consequently impacting the growth of local fiscal revenue. Although these tax reduction policies aim to stimulate economic development and promote corporate investment, they may lead to a decrease in fiscal revenue in the short term [4].

Table 1. Gross Domestic Product and Fiscal Revenue of City X N 100 million

Year	GDP	General Public Budget Revenue	General Public Budget Revenue	Tax Revenue and Proportion	Non-Tax Revenue and Proportion
2019	3624.2	281.7	183.5	120.7(65.8%)	62.8(34.2%)
2020	3749.1	286.8	187.9	123.6(65.8%)	64.2(34.2%)
2021	4054.1	203.4	203.4	129.5(63.67%)	73.8(36.33%)
2022	4274.5	209.6	209.6	133.6(63.74%)	76.0(36.26%)
2023	4385.7	202.2	202.2	109.0(53.91%)	93.2(46.09%)

2.2 Analysis of the Fiscal Revenue Structure

The fiscal revenue of City X is primarily composed of tax revenue and non-tax revenue. According to the data from Table 1 for 2023, tax revenue accounts for 53.91% of the total fiscal revenue, while non-tax revenue constitutes 46.09%. This structure indicates that although tax revenue remains the main source of fiscal income, the proportion of non-tax revenue has been gradually increasing, suggesting that local governments may be increasingly reliant on the growth of non-tax revenue for fiscal support. While the increase in non-tax revenue can alleviate fiscal pressure in the short term, long-term dependence on it may lead to a decline in the sustainability of fiscal revenue, especially in the context of growing economic downward pressure.

(1) Tax Revenue Analysis. Examining the specific composition of tax revenue, the tax revenue of City X primarily includes value-added tax, corporate income tax, and individual income tax. Value-added tax, as a major turnover tax, is significantly influenced by economic growth, consumption levels, and investment conditions. Recent economic data indicate that the consumption market in City X has gradually become more active, with residents' consumption levels continuously improving, providing a foundation for the growth of value-added tax. However, the growth of corporate income tax is affected by corporate profitability and market competition; if businesses face profitability pressures, corporate income tax revenue may decline accordingly. Additionally, the growth of individual income tax is closely related to residents' income levels. As the economy of City X develops, residents' income levels have gradually increased, leading to a corresponding rise in individual income tax revenue. However, changes in tax policies and the expansion of the tax base can also impact individual income tax revenue. Therefore, in the formulation and implementation of tax policies, City X needs to fully consider the actual economic development situation to ensure the rationality and effectiveness of its tax policies [5].

(2) Non-Tax Revenue Analysis. Non-tax revenue mainly includes administrative and institutional fees, fines, and revenues from state-owned assets. In recent years, City X's reliance on non-tax revenue has been increasing, which may be attributed to adjustments in tax policies and changes in the economic structure. While the growth of non-tax revenue can provide financial support for the budget in the short term, its instability and unpredictability may pose a threat to the sustainability of fiscal revenue. Among non-tax revenues, administrative and institutional fees constitute a significant component. The fee standards and policies in the public service sector of City X need to be updated to ensure their rationality and transparency. Furthermore, revenues from state-owned assets are also an important source of non-tax revenue. City X should strengthen the management and operation of state-owned assets to ensure their preservation and appreciation, thereby providing stable support for fiscal revenue.

2.3 Fiscal Expenditure Situation

In terms of fiscal expenditure, City X has seen an annual increase in spending in areas such as social security, education, and healthcare, reflecting the government' s efforts to improve the quality of life for its residents. According to Table 2, the general public fiscal budget expenditure for 2023 was 64.12 billion yuan, with social security and employment expenditures accounting for 15.50% of the total. This proportion indicates that City X has made corresponding fiscal efforts to meet the basic living needs of residents and enhance social security levels.

(1) Analysis of social security expenditure. Social security expenditure constitutes a significant portion of City X' s fiscal spending,

with expenditures amounting to 9.94 billion yuan in 2023, accounting for 15.50% of total expenditures. As the population ages and the demand for social security increases, the pressure on social security spending is expected to intensify in the future. The government needs to explore diversified funding sources while ensuring the level of social security, in order to maintain fiscal sustainability [6].

(2) Analysis of education and healthcare expenditure. Education and healthcare expenditures are also important components of fiscal spending. In 2023, education expenditure was 9.36 billion yuan, representing 14.60% of total expenditures, while healthcare expenditure was 6.92 billion yuan, accounting for 10.80% of total expenditures. With the growing demand from residents for education and healthcare services, fiscal spending in these two areas will also need to increase annually. However, excessively high expenditures may lead to an imbalance in fiscal revenues and expenditures. Therefore, improving the efficiency of education and healthcare spending and ensuring the rational use of funds will be significant challenges that City X must address.

Table 2. Fiscal Expenditure Situation of City X N 100 million

Year	General Public Fiscal Budget Expenditure	Social Security and Employment	Education	Agriculture, Forestry, and Water Affairs	Healthcare Expenditure	Urban and Rural Community Affairs Expenditure
2019	608.5	108.5(17.84%)	76.5(12.57%)	91.1(15.00%)	56.0(9.20%)	55.8(9.17%)
2020	614.0	85.7(13.96%)	81.5(13.27%)	97.0(15.80%)	61.3(9.98%)	56.2(9.15%)
2021	597.1	82.4(13.80%)	84.5(14.15%)	89.7(15.02%)	61.1(10.23%)	60.2(10.08%)
2022	637.2	95.14(14.93%)	90.5(14.20%)	95.8(15.04%)	66.4(10.42%)	73.4(11.52%)
2023	641.2	99.4(15.50%)	93.6(14.60%)	96.3(14.99%)	69.2(10.80%)	78.1(12.18%)

2.4 Analysis of the Tertiary Industry Structure

The economic structure of City X demonstrates a coordinated development of the primary, secondary, and tertiary industries. According to the data from 2023 (see Table 3), the value added of the primary industry was 49.35 billion yuan, accounting for 11.3% of GDP; the value added of the secondary industry was 170.46 billion yuan, accounting for 38.8% of GDP; and the value added of the tertiary industry was 218.75 billion yuan, accounting for 49.9% of GDP. The increasing proportion of the tertiary industry year by year highlights the significant role of the service sector in the economy.

(1) Current status of the primary industry. Although the share of the primary industry in GDP has been declining annually, it still plays a crucial role in ensuring food security and rural economic development. As a major agricultural city, X possesses abundant agricultural resources, particularly in grains, vegetables, and aquatic products. The government should continue to enhance support for agriculture, promote agricultural modernization, and increase farmers' incomes, thereby providing a fundamental guarantee for fiscal revenue. Additionally, City X should actively promote the integrated development of agriculture with tourism, culture, and other industries to enhance the added value of agriculture and broaden income channels for farmers. By developing rural tourism and agricultural product processing, the city can facilitate the coordinated development of agriculture with other industries, achieving economic diversification.

Table 3. Output of the Primary, Secondary, and Tertiary Industries in City X N 100 million

Year	Regional Gross Domestic Product	Output of the Primary Industry	Output of the Secondary Industry	Output of the Tertiary Industry
2019	3624.2	395.7(10.9%)	1462.7(40.4%)	1765.8(48.7%)
2020	3749.1	464.6(12.4%)	1543.7(41.2%)	1740.8(46.4%)
2021	4054.1	467.6(11.5%)	1686.9(41.6%)	1899.7(46.9%)
2022	4274.5	495.2(11.6%)	1762.7(41.2%)	2016.6(47.2%)
2023	4385.7	493.5(11.3%)	1704.6(38.8%)	2187.5(49.9%)

(2) Current status of the secondary industry. As a vital pillar of City X's economy, the secondary industry faces pressures for transformation and upgrading. With intensified competition in traditional manufacturing, the city needs to accelerate industrial restructuring, focusing on the development of high-tech industries and green manufacturing to enhance overall economic competitiveness and promote stable growth in tax revenue. In this process, City X

should strengthen technological support and policy guidance for enterprises, encouraging them to innovate and upgrade their products. Furthermore, the government should increase support for the environmental protection industry, fostering the development of a green economy and ensuring the harmonious relationship between economic growth and environmental protection.

(3) Current status of the tertiary industry. The rapid development of the tertiary industry has provided new sources of fiscal revenue for City X. With rising consumer spending levels and increasing demand for services, the city should further promote the development of tourism, culture, finance, and other service sectors to achieve economic diversification and sustainable development.

3. Discussion

3.1 Analysis of Fiscal Revenue Quality Instability in Fiscal Revenue Growth

In 2023, the decline in fiscal revenue in City X disrupted the previous growth trend, primarily influenced by changes in the macroeconomic environment and fluctuations in market demand. These factors have led to a deterioration in business conditions, resulting in reduced tax contributions. The uncertainty of the global economy and international trade friction may affect export orders for foreign trade enterprises, subsequently impacting their production scale and profit levels, reflecting the sensitivity of fiscal revenue to economic fluctuations. This instability poses challenges for the government in formulating long-term fiscal plans and ensuring the provision of public services.

(1) Decline in the proportion of tax revenue. The decline in the proportion of tax revenue serves as a warning signal regarding the quality of fiscal revenue, potentially due to tax incentive policies, decreased corporate profitability, and inadequate tax administration. If tax incentive policies are poorly designed, they may lead to a reduction in fiscal revenue. Furthermore, the decline in corporate profitability stems from intensified market competition and rising costs, directly affecting taxpaying capacity. Additionally, insufficient tax administration regarding emerging industries may also result in tax revenue losses.

(2) Concerns about the sustainability of non-tax revenue. The rapid increase in the proportion of non-tax revenue has raised concerns about its sustainability. If non-tax revenue relies on one-time projects or unreasonable fees, this growth model will be unsustainable. Over-reliance on one-time revenues such as land sales can lead to instability in fiscal revenue while increasing burdens on enterprises and society, thus suppressing market vitality [7]. Moreover, the disorderly growth of non-tax revenue may undermine the government's credibility.

(3) Potential risks of fiscal balance pressure. With increasing expenditures and unstable revenues, City X faces pressure on fiscal balance. Long-term imbalances may lead to increased government debt and a decline in the quality of public services. If the government relies on debt financing to cover fiscal gaps, it may fall into a debt trap, creating a vicious cycle that impacts the quality of public services such as education, healthcare, and social security, ultimately affecting residents' lives and social stability. Therefore, optimizing the quality of fiscal revenue and the structure of expenditures is crucial.

3.2 The Impact of Industrial Structure Adjustment on Fiscal Revenue Quality

(1) Relationship between industrial transformation and fiscal revenue. During the process of industrial transformation, adjustments in the secondary industry may lead to reduced tax revenues from some traditional industrial enterprises. However, in the long run, industrial upgrading is expected to bring new sources of tax revenue [8]. The development of high-tech industries typically features high added value and high profits, which can increase corporate income tax and other tax revenues while creating new job opportunities. Nonetheless, industrial transformation requires time and policy support. If industrial hollowing occurs or tax policy transitions are not smooth, it may have a short-term impact on the quality of fiscal revenue. Industrial hollowing may happen if traditional industries exit too quickly without emerging industries filling the gap, leading to insufficient economic growth momentum [9]. Poor tax policy transitions may manifest as untimely adjustments in tax policies for old and new industries, affecting corporate tax compliance and the stability of fiscal revenue.

(2) Fiscal significance and challenges of the development of the tertiary industry. The rapid development of the tertiary industry presents

new opportunities for fiscal revenue, particularly in areas such as modern services and cultural tourism. These sectors can generate various taxes, including value-added tax, corporate income tax, and personal income tax. However, tax administration in the tertiary industry is relatively complex, especially for emerging service models such as e-commerce and the sharing economy, which face challenges related to unclear tax definitions and administrative difficulties. The cross-regional transaction models of e-commerce and the dispersed nature of data make it difficult for tax authorities to grasp actual transaction conditions. The sharing economy involves multiple participants, complicating income recognition and tax distribution. If these issues cannot be effectively resolved, the contribution of the tertiary industry to enhancing fiscal revenue quality will be compromised.

3.3 The Counteracting Effect of Fiscal Expenditure Structure on Fiscal Revenue Quality

(1) The Necessity of livelihood expenditures and balancing fiscal pressure. Livelihood expenditures are a crucial manifestation of the government’s responsibilities. However, in the context of unstable fiscal revenues, a high proportion of livelihood expenditures can exacerbate fiscal pressure. Therefore, it is essential to seek a balance between meeting livelihood needs and ensuring fiscal sustainability. By optimizing the expenditure structure and improving expenditure efficiency, fiscal pressure can be alleviated, thereby enhancing the quality of fiscal revenue [10]. For instance, in social security, improving the social security system and strengthening fund management can enhance the efficiency of fund utilization and rationally adjust social security benefit standards to avoid the fiscal burden caused by excessive guarantees. In the education sector, optimizing resource allocation and increasing investments in vocational and higher education can enhance the contribution of educational expenditures to economic development. For compulsory education, improving school management and teaching quality can help avoid resource wastage. In healthcare, strengthening the construction of grassroots medical systems, improving resource utilization efficiency, controlling the growth of medical costs, and promoting a tiered diagnosis and treatment system can reduce the burden on large hospitals.

(2) The guiding role of fiscal expenditure in industrial development. Fiscal expenditure plays a guiding role in industrial development, such as supporting emerging industries and subsidizing the upgrading of traditional industries. A rational expenditure structure can promote industrial optimization and increase fiscal revenue. The government can establish industrial guidance funds and research and development subsidies to lower innovation costs for enterprises and encourage technological research and development [11]. For example, subsidy policies for the electric vehicle industry can stimulate research and development investments, promote industrial growth, and increase relevant tax revenues. For traditional industries, fiscal expenditure can support technological transformation and equipment upgrades, enhancing production efficiency and product quality. However, if fiscal expenditure lacks precision and foresight, it may fail to effectively promote industrial development and fiscal revenue growth. For instance, if industrial subsidy policies are not dynamically adjusted based on actual conditions, it may lead to resource wastage, where enterprises seek subsidies without genuinely upgrading their industries.

4. Conclusion and Recommendations

In conclusion, the quality of fiscal revenue in City X faces several issues, including unstable growth of fiscal revenue, a declining proportion of tax revenue, doubts about the sustainability of non-tax revenue, and increasing pressure on fiscal balance. While the adjustment of industrial structure presents opportunities, it also poses challenges to the quality of fiscal revenue. Therefore, further optimization of the fiscal expenditure structure is necessary to safeguard livelihoods and guide industrial development. Enhancing the quality of fiscal revenue in City X is crucial for ensuring stable economic and social development.

4.1 Stabilizing and Optimizing the Scale and Structure of Fiscal Revenue

(1) Strengthening tax administration: Utilize modern information technologies, such as big data and artificial intelligence, to enhance the informatization of tax administration. Establish a comprehensive tax information monitoring

system to strengthen real-time monitoring of corporate tax payments. Special attention should be given to emerging industries and complex economic activities, necessitating enhanced training for tax personnel to improve their understanding and execution of new tax policies, thereby closing tax administration loopholes. Furthermore, intensify efforts to combat tax evasion and establish a multi-departmental joint enforcement mechanism to maintain tax order.

(2) Optimizing tax policies: Evaluate and adjust existing tax incentive policies to ensure that they effectively promote industrial development and economic structural optimization without excessively sacrificing fiscal revenue. For emerging industries that are encouraged for development, tax reductions could be linked to industry performance, ensuring a balance between support and tax contributions. For traditional industries, tax policies can guide their transformation and upgrading, such as providing tax incentives for environmental protection, energy-saving renovations, and technological innovations to enhance corporate competitiveness and tax capacity.

(3) Regulating non-tax revenue management: Conduct a comprehensive review of non-tax revenue items, eliminating unreasonable and illegal charges to reduce burdens on enterprises and society. For retained non-tax revenue items, establish a scientific mechanism for setting fee standards based on cost recovery and equitable burden principles. Strengthen supervision of non-tax revenue collection to ensure timely and full remittance to the treasury, preventing misappropriation and diversion. Additionally, enhance the transparency of non-tax revenue usage by incorporating it into budget management to ensure reasonable utilization.

4.2 Promoting Industrial Structure Optimization and Upgrading to Enhance Fiscal Revenue Quality

(1) Driving transformation and upgrading of the secondary industry: Increase support for technological transformation and innovation in traditional industrial enterprises by establishing special funds for industrial upgrading. Encourage companies to adopt advanced production technologies and equipment to enhance product value and market competitiveness. For instance, provide financial subsidies or interest subsidies for projects involving intelligent transformation and green production in manufacturing. Foster and develop high-tech industries by constructing industrial parks and providing comprehensive infrastructure and support services to attract high-tech enterprises, thereby increasing their contribution to fiscal revenue.

(2) Accelerating the development of the tertiary industry and tax administration: Formulate supportive policies for the tertiary industry, particularly in modern service sectors and cultural tourism. For industries such as finance and technology services, attract development through tax incentives and subsidies for office space. Strengthen research on tax administration for emerging service formats and improve relevant tax regulations to clarify tax subjects, standards, and administration methods in areas like e-commerce and the sharing economy. For example, require e-commerce platforms to assist tax authorities in tax administration and categorize transactions in the sharing economy for taxation.

4.3 Optimizing Fiscal Expenditure Structure to Enhance the Efficiency of Fiscal Fund Utilization

(1) Optimizing the structure of livelihood expenditures: Implement refined management of expenditures related to social security, employment, education, and healthcare. In the realm of social security, enhance the social security system, improve fund utilization efficiency, and strengthen management and supervision of social security funds to ensure their safety. In education, optimize resource allocation and increase investment in vocational and higher education to cultivate talents that meet industrial development needs, thereby enhancing the role of education expenditure in economic growth. In healthcare, strengthen the construction of primary healthcare systems, improve resource utilization efficiency, and reasonably control the growth of medical costs.

(2) Guiding role of fiscal expenditure in industrial development: Adjust the direction of fiscal expenditure to increase guiding expenditures for industrial development. For promising emerging industries, such as artificial intelligence and biomedicine, provide financial support through government investment funds and risk compensation funds. Strengthen guidance for the upgrading of traditional industries by supporting technological innovation and product development through

government procurement and fiscal subsidies, thereby promoting industrial structure optimization and fiscal revenue growth. Additionally, establish a performance evaluation mechanism for fiscal expenditures to scientifically assess their effectiveness and enhance the efficiency of fiscal fund utilization.

Acknowledgments
This paper is supported by Key Projects of the Social Science Review Committee of Changde City in 2024 (No. CSP24ZZ06).

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