

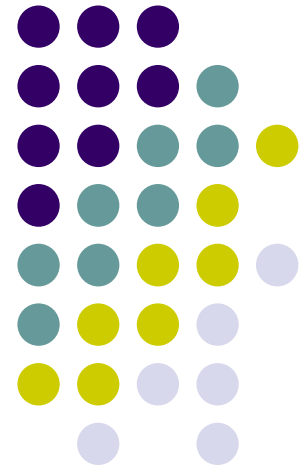
Revenue Mobilization and Tax Policies in China

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*IMF – JAPAN HIGH LEVEL TAX CONFERENCE FOR
ASIAN AND PACIFIC COUNTRIES*



China's Tax Reform:



- Key features of China's present tax system
- The principles of tax reforms
- Main tax policy reforms in favor of revenue mobilization
- Other measures to promote revenue mobilization
- Anticipated major tax measures during the 12th 5YP

Key features of China's present tax system



Turnover tax	VAT, Excise, Business tax, Duties, Tobacco leaf tax
Income tax	Corporation income tax, Personal income tax
Resource tax	Resource tax
Property tax	House property tax, Vehicle and vessel tax, Urban and town land use tax
Behavior tax	Stamp tax, Deed tax, Land appreciation tax, Urban maintenance and construction tax, Cultivated land use tax, Vessel tonnage dues, Motor vehicles purchase tax, Fixed assets investment orientation regulation tax(suspended)

Key features of China's present tax system



Main taxes:

Turnover tax

Income tax

Other taxes:

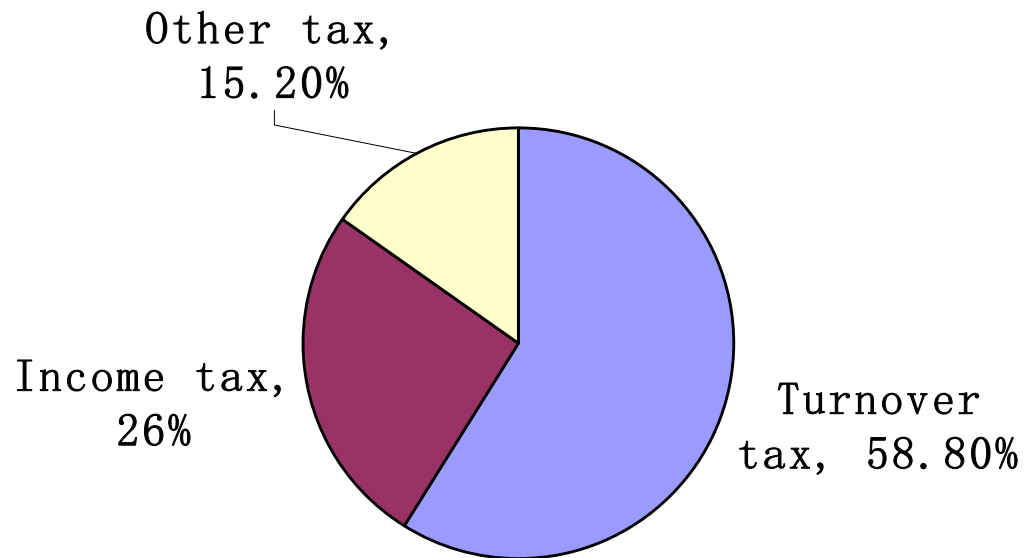
Property tax

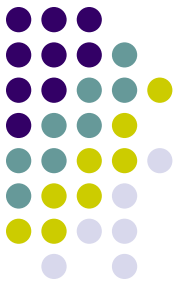
Behavior tax

Resource tax

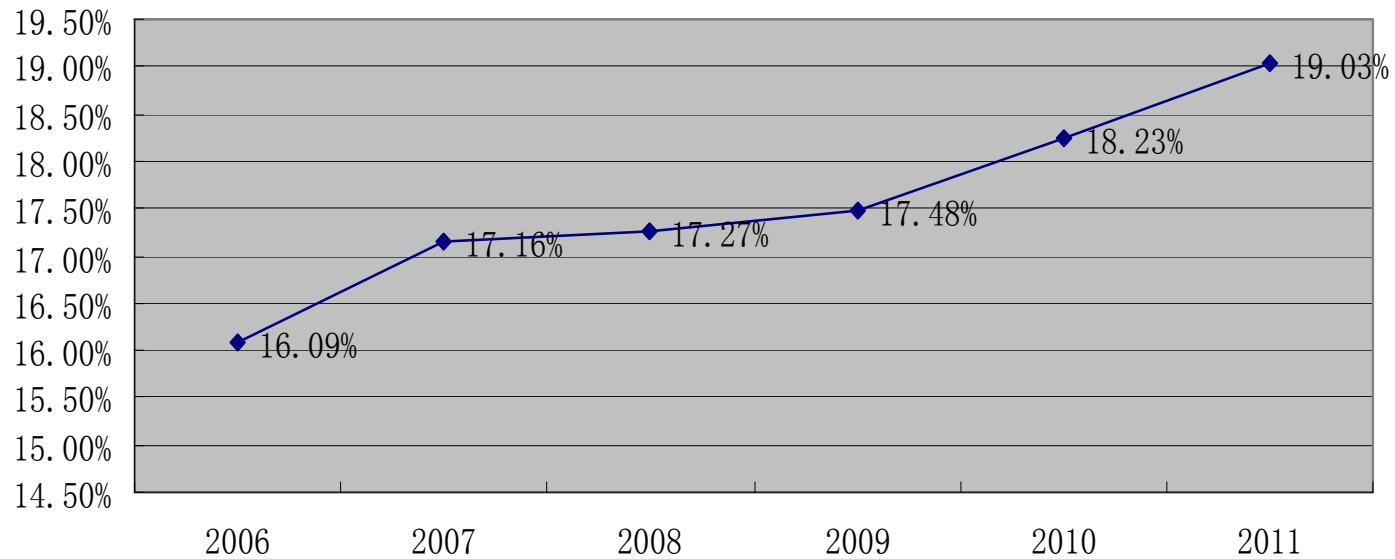


Breakdown of China's tax revenue from 2006 to 2010





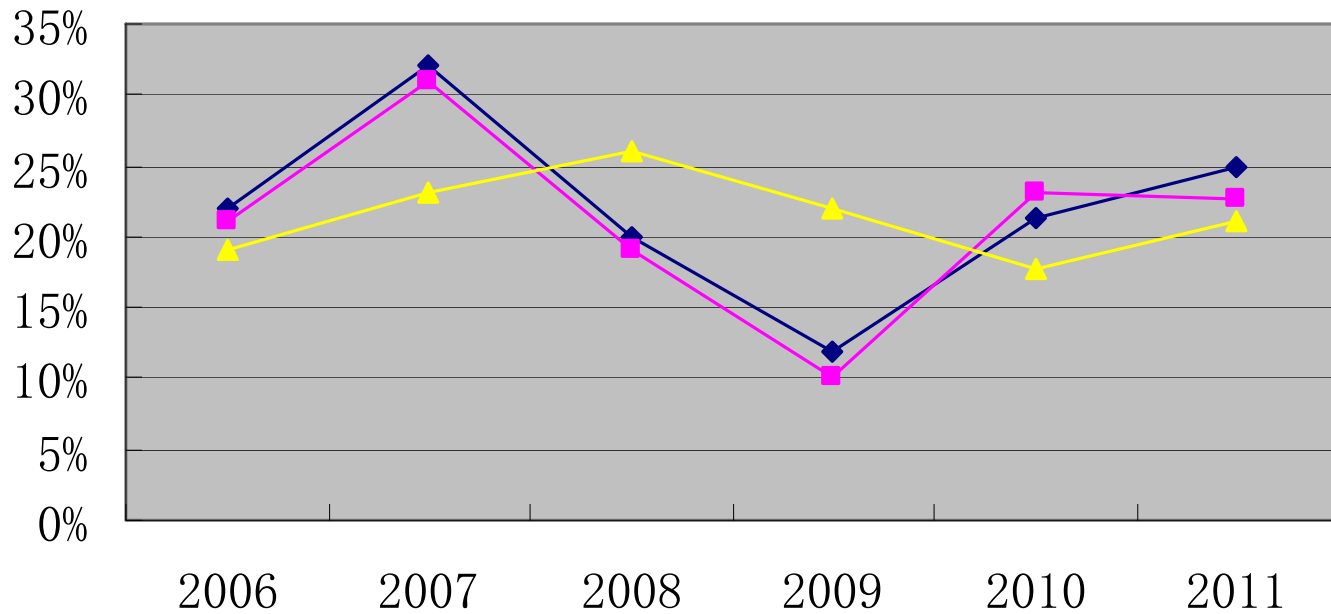
China's Tax-GDP Ratios(2006-2011)

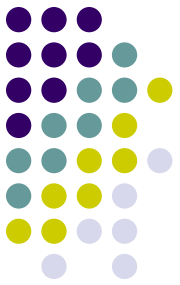


Note: Data of 2011'GDP is preliminary , not final.

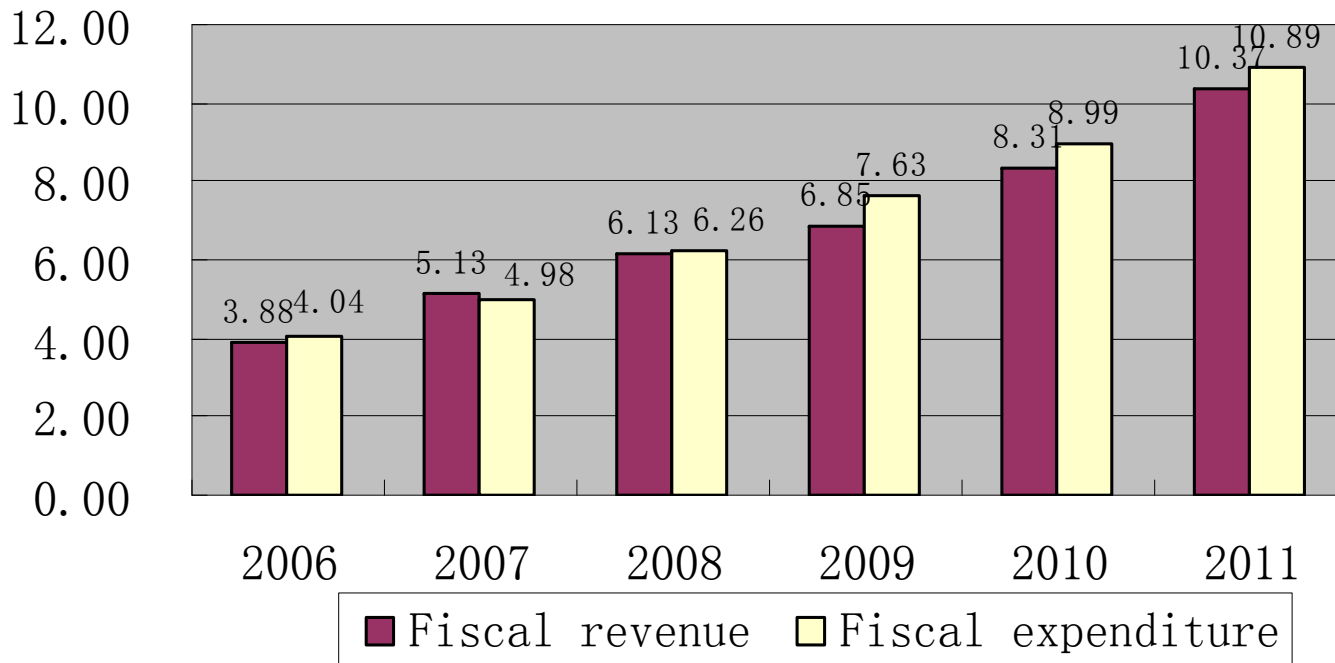


The growth rates of fiscal revenue, tax revenue and fiscal expenditure





Fiscal revenue and expenditure from 2006 to 2011





We can see from diagrams:

- Fiscal revenue and tax revenue had grown dramatically during the past six years.
- The average growth rate of fiscal expenditure was no higher than that of the fiscal revenue and tax revenue.
- The purposes of tax reforms in China are usually macro-control oriented, but not revenue-oriented.

The principles of China's tax reforms



- More simplified taxation system
- Broader tax collection basis
- Lower tax rates
- Stricter tax collection

Structural Tax Reduction



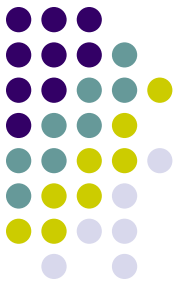
- In 2006, abolished the agriculture tax
- In 2008, implemented equal CIT for domestic and foreign companies
- In 2009, expanded the VAT input deduction scope by permitting purchased capital equipments deducted
- From Sep.1,2011, raised the monthly personal income tax threshold to 3,500 yuan from the current 2,000 yuan
- Cut taxes for SMEs, eg. raising VAT and business tax thresholds to SMEs; 50 percent enterprise income tax reduction for low-profit companies whose annual taxable income does not exceed RMB 60,000.

Main tax reforms in favor of revenue mobilization(2005 till now)

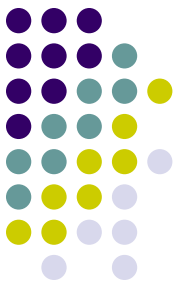


- Corporate Income tax
- Excise tax
- Resource tax
- Property tax
- Behavior tax

Corporation Income tax



- In 2008, equal CIT for domestic and foreign companies
- Change tax exemptions from region-oriented to industry-oriented.



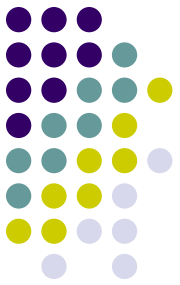
Excise tax

- In 2006, increase the excise taxable items: disposable wooden chopsticks, wooden floor panels, yachts, golf balls and equipment, luxury watches and more oil based products
- In 2008, decrease the tax rate of small-displacement (engine) vehicles and increase the tax rate of large ones.
- In 2009, increase the tax rate of oil products for implement of Oil Tax and Fee Reform
- In 2009, increase the tax rate of Tobacco



Resource tax

- Starting on November 1, 2011, crude oil and natural gas are taxed based on sales rather than the amount of production, and coking coal as well as rare earths are subject to higher tax rates.



Property tax

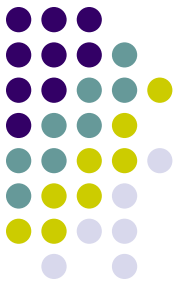
- Vehicle and vessel tax

From 2010, vehicle and vessel tax is levied based on the displacement of cars and instead of based on car numbers.

- House property tax

From Jan 28,2011, Chongqing and Shanghai municipalities implemented trial house property tax to cool off the red-hot housing market.

Behavior tax



- Urban maintenance and construction tax

From Dec 1, 2010, realize equal tax for domestic and foreign firms.

- Cultivated land use tax

From 2008, increase the tax rate by 4-5 times, realize equal tax for domestic and foreign firms, eliminate tax exemptions that forego the revenue to little use

Other measures to promote revenue mobilization



- Intensify tax collection

Eg.

From 2007, employees earning more than 120,000 yuan per year (US\$15,000) need to report their income directly to the tax authorities.

Other measures to promote revenue mobilization



- Tax expenditure

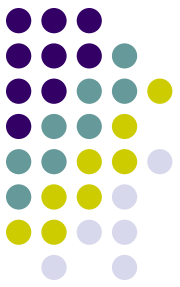
In 2002, IMF and our department jointly hosted the International Tax expenditure Seminar In Shandong.

In 2007, our division came into existence, which is in charge of China's tax expenditure.

Now we have finished some fundamental work and implemented tax expenditure statistics.

However, we have not published the results.

Other measures to promote revenue mobilization

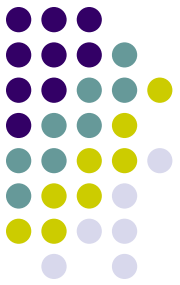


- Efficient government administration

Eg. Government information disclosure
(including tax policy information)

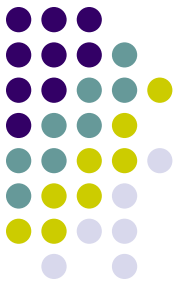
All the tax policies, except concerning country and enterprises' secrets, should be published on governments' web.

Anticipated major tax measures during the 12th 5YP



1.VAT	Applying this tax to the service sector
2.Excise	Certain high-energy consuming goods and Luxury goods may be taxed.
3.IIT(individual income tax)	Taxable income will be calculated and declared on an annual consolidated basis whereas capital income, non-recurring income and incidental income will be dealt with on a transaction base.

Anticipated major tax measures during the 12th 5YP(continued)



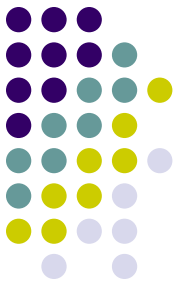
4.Resource tax	More new items will be based on sales value, instead of based on production output.
5.Property tax	Certain owners of the real estates may pay house property tax annually nation wide.
6. Environmental Tax	An environmental tax (sometimes referred to as a green tax or carbon tax) might be levied on the things which have -heavy pollution -comparatively mature technical standards



Conclusion

- The objective of China's tax reform is to Macro-control, not raise revenue.
- Tax revenue has increased much faster than GDP. The national pressure of tax reduction is very high.
- We have done some fundamental works, such as improve tax system, enhance the transparency of government information, intensify tax collection, which really benefit the economy and revenue.

The End



Thank you for your attention.

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