



June 16, 2021

Mr. WANG Jun
Commissioner
State Taxation Administration
Beijing, People's Republic of China

Dear Commissioner Wang:

I am very pleased to learn that the General Offices of the State Council and CPC Central Committee recently issued the *Opinions on Further Deepening the Reform of Tax Collection and Administration* (the "[Opinions](#)").

This important document, which I understand was prepared with significant contributions from the State Taxation Administration, provides the basis for a whole-of-government approach to strengthening China's tax administration over the next five years. Such an approach is essential to improving tax administration by bringing the government's full weight and focus on the reforms.

In reviewing the *Opinions*, I found many of its key themes are consistent with previous IMF advice and are also specific to the challenges and opportunities facing China. These include:

- Making it easier for individuals and businesses to comply with their tax obligations, and employing risk-based enforcement to those who do not. This is key to achieving high levels of voluntary compliance with the tax laws and sustainable increases in revenue collection.
- Harnessing advanced data analytics to better target the State Taxation Administration's services and enforcement activities while safeguarding the confidentiality of taxpayer information. This balance is critical not only for effective tax administration but also to maintain the community's sense of fairness and integrity in tax administration.
- Enhancing the skills, motivation, and integrity of tax officials. Ultimately, the success of the State Taxation Administration's modernization strategy will depend on the quality and capabilities of its managers and frontline tax officers.

As the State Taxation Administration moves forward in implementing the *Opinions*, I would like to offer some thoughts on good practices in managing successful reform programs. Based on our previous advice, I believe the following two practices are particularly relevant to implementing the modernization program:

- Prioritize the program's many reforms with a view to ensuring the most important initiatives are actively managed and closely monitored by the State Taxation Administration leadership.
- Put in place an evaluation mechanism and quantitative indicators for measuring progress towards the State Taxation Administration's strategic objectives.

I recognize that that the *Opinions* sets out a challenging reform agenda. However, I am very confident that the State Taxation Administration will successfully meet those challenges under your dedicated leadership.

In closing, I would like to wish you and your colleagues success in implementing the *Opinions*. We look forward to continuing our productive cooperation with the State Taxation Administration on this important endeavor.

Sincerely yours,

Vitor Gaspar
Director
Fiscal Affairs Department

cc: Mr. Helge Berger (IMF Mission Chief for China)
Mr. Steven Barnett (IMF Resident Representative to China)