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## **Chongqing imposes harsher property tax measures**

CHINA'S southwestern city of Chongqing will impose a property tax on first-time homebuyers who are non-residents with no job or company in the city, State news agency Xinhua reported Friday.

The new rule, effective from Jan.14, is being brought in response to recent large price fluctuations in Chongqing Municipality as speculators from outside the city flood the market, Xinhua News Agency said.

Under previous rules, non-residents who didn't work and owned no companies in Chongqing only needed to pay a property tax for second homes in the city.

Chongqing Municipality had been spared the major spike in home prices in other major cities in most of 2016, with new-home prices rising only 6.5 percent year on year last November.

Chongqing and Shanghai have been the only two Chinese cities to enforce a pilot property ownership tax scheme since 2011, raising taxes on those with multiple homes to penalize speculators.

In Chongqing, the property tax threshold has been 13,192 yuan (US\$1,912) per square meter since 2014, the Xinhua news agency said.

## **China's Chongqing imposes harsher property tax measures to deter speculators**

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## **International Property Tax Institute**

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In Chongqing, the property tax threshold has been 13,192 yuan (\$1,912) per square metre since 2014, Xinhua said. (\$1 = 6.8985 Chinese yuan renminbi)

### China property tax unlikely any time soon, say analysts

A property tax might not be the immediate weapon of choice for policymakers trying to arrest housing inflation in China, as they consider a stable property sector vital for bolstering economic growth, analysts said.

“Considering the government is not going to kill the market – they need the property market to be relatively stable to support the economy - I don’t think the property tax will be rolled out in the near term,” said Eva Lee, head of China and Hong Kong property research at UBS in Shanghai on Tuesday.

The government has been toying with the idea of introducing a property tax for several years now, and many market observers consider such a move long overdue.

The former finance minister Lou Jiwei said last year that China would go to great lengths to introduce the property tax.

Lee said that even if the authorities were ready to issue the tax, it would be imposed gradually, starting with higher-tier cities that have seen the strongest housing inflation first, rather than being introduced nationwide.

“Authorities would need to encourage people to rent the property out to offset the cost [of holding property],” she said, adding that owners, particularly those in lower tier cities, may be reluctant to do so. “They need to implement a legal framework to protect tenants and landlords before they roll out a property tax.”

Daniel Yao, director of research for Shanghai at JLL, also believes current measures aimed at cooling the market, such as restrictions on household mortgages, may be more effective than a property tax.

“Levying property tax could be the right policy option for the long run,” Yao said. “But it needs more preparation and involves more policymakers besides the property sector.”

James Macdonald, director of China research at Savills, said he didn’t expect China to roll out new policies to curb the market, but rather to focus on assuring a smooth implementation of existing tightening measures.

China has already run trial programmes in Shanghai and Chongqing, levying a tax on the owners of spacious and expensive houses as well as owners of multiple homes. However, the scheme failed to put the brakes on housing prices in Shanghai, the mainland’s commercial capital.

It led some critics to conclude that the pilot was a failure. They blamed the limited number of homeowners it actually applied to and the low tax rates of just 0.6 per cent in Shanghai and 1.2 per cent in Chongqing.

At least 20 mainland cities launched market-cooling measures -- such as higher down payments and restrictions on owning more than one property -- in 2016, in a bid to rein in runaway house prices.

There have been early signs that the measures are taking effect. National Bureau of Statistics data showed that new-home prices in first tier cities increased an average of just 0.1 per cent in November, compared with 0.5 per cent the previous month. Momentum in second-tier cities also slowed.

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