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CHINA HAS CONSOLIDATED PROPERTY OWNERSHIP DATA, BUT TO LEVY TAX IS A SEPARATE STRUGGLE 1

China has consolidated property ownership data, but to levy tax is a separate struggle

Beijing's 10-year debate on implementing a property tax and the shift from a 2019 deadline to complete legislation to an indefinite one are signs of entailed difficulty and hesitation

It took five years but China finally completed the consolidation of a national real estate information database last week, retiring the patchwork registration system that deprived authorities of a clear picture of property ownership across mainland cities.

The Ministry of Natural Resources, which led the project, also reiterated that the database was – contrary to market speculation – unrelated to implementing a proposed property tax that Chinese policymakers have deliberated on over the past decade.

“The officials said the system is not for collecting property tax and not for identifying an individual's property portfolio, but this has already struck fear in the hearts of many people,” said Soho China chairman Pan Shiyi, who has 19 million followers on his social media Weibo account.

China's housing boom in the past two decades has resulted in a growing group of asset owners, each sitting on multiple properties worth tens of million yuan, but who did not need to pay any form of tax because of the information gap. Many corrupt officials were also exposed for owning numerous properties following government investigations, showing the huge discrepancy between their wealth and incomes.

A centralised information system would clearly reveal an individual's property portfolio, which in theory could force multi-home owners and corrupt officials to unload excess properties to avoid payments should the property tax be implemented, and evade arrests by anti-graft watchdogs.

Yet, that is not happening nor likely to take place soon, say analysts.

“The consolidation of national real estate information has started since 2013, and progress of the project has been announced intermittently over the course. If there is an impact, it would have manifested long ago,” said Rosealea Yao, a property industry analyst with research group Gavekal Dragonomics.

On the contrary, the potential implementation of the tax is already facing headwinds, according Yao and other analysts. The government's 10-year debate on the implementation and the shift from a 2019 deadline to complete necessary legislative procedures to an indefinite one are indications of its hesitation.

Analysts are diverged on how soon the legislation will come into place, but most expected an extended phase-in period, with the first or second homes to be exempted from taxation to minimise initial impact.

To help formulate the taxation method, the government needed to have a full grasp of who owns what across the country, just like what a census is to China's policy making.

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“With the information on the platform, I believe government has already done internal assessment on at what rates, how many exemption areas the tax should include and how much tax could be collected. On the enforcement level, a solid database is a prerequisite for levying tax,” said Yao.

Pan, along with the China Real Estate Research Association’s chief researcher Li Zhanjun, said a national information platform had been in place before last week’s announcement, where anti-graft busters and the public security bureau officials had used the data to catch wayward officials. The delayed operation of the system was due to internal opposition, they added.

“We can understand why the Ministry of Natural Resources had repeatedly denied any connection with the property tax. If they said this was for the tax, the project may not be done in another 10 years,” Pan said.

Ma Guangyuan, an economist and property issues commentator, said consolidated information of the nation’s property market formed the basis of crucial policymaking, and to answer basic question such as “has China overbuilt”.

“It’s ironic that the National Bureau of Statistics knows how many sows are raised in the countryside, but has no idea how many homes were built,” Ma said in a blog.

While the available data to an extent, ended the guessing game, he cautioned that it was “unrealistic” to assume that officials’ assets would be disclosed, or that the information would pressurise home prices in China to drop.

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