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Beijing appears to be getting closer to consensus on how and when to unveil a nationwide property tax

Discussions on whether Beijing should implement a nationwide property tax were back in focus on Monday, casting a shadow on the outlook for the property sector.

The first draft of the property tax law will “definitely” be ready for national legislative review within this year, according to a report by Beijing-based The Economic Observer, citing sources in the tax system. This coincided with a comment by a National Bureau of Statistics official in July that indicated the department would “accelerate the property tax programme”.

The Chinese government has long toyed with the idea of taxing owners of residential flats, which represent the largest shares of household wealth. The tax is seen as helping tame house prices, while at the same time creating another source of government revenue. Under Chinese President Xi Jinping, the tax has been framed part of a “long-term mechanism” to stem speculation and stabilise prices.

China property tax based on ‘appraisal value’

“It is necessary for the state to release the details of the tax as a way to manage expectation. If the draft is modest, as most people expect, it could be a relief for the market,” said Danielle Wang, a property analyst with DBS Vickers.

“In the medium run the tax is necessary because as Beijing shifts its priority to prop up growth, there is worry that it could turn out to be another stimulus that boost property. Having a property tax in place could give policymakers a freer hand,” she said.

In China the debate has shifted from whether to impose the tax to when and how it should be levied, according to several analysts. But they diverge on the scope and intensity of the tax, with some arguing for exemptions based on floor area.

According to SWS Research, the exemption area should be smaller than 60 square metres, a benchmark used in a Shanghai pilot programme. If it is set at 40 sq m per capita, and the tax rate is 1 per cent, a three-member family with a 195 sq m home in a third-tier city would have to pay tax equivalent to 8 per cent of its annual household income. However, for a family in Shanghai, where home values are much higher, the ratio could be as high as 20 per cent.

Fleeting relief for China’s homeowners as property tax inches its way through legislature

“Thus we believe different cities would adopt different policies, but overall families in big cities would face a heavier burden, and thus offload some properties,” the report noted.

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However, Chen Lei, an analyst with zhuge.com, a Beijing-based property information firm, said the tax would likely be modest and undergo pilot trails in a few selected areas before being expanded nationwide.

"The current policy is to prevent home prices either rising much or falling much. The incoming tax won't go against that principle," he said, adding he did not see any sell-off in Beijing.

Chen said the tax wouldn't be levied at local level until 2020 to 2021 at the earliest.

He added that draft law would need to go through a second and third review before passage, and city governments would then need to formulate specific taxation measures according to the national law.

"The initial taxation scope and rate could be modest. What's important is the law set up a structure that enables gradual upgrade," Wang said.

China prioritises a property tax that may yet rock market

China's legislature said it's giving high priority to a property tax that would be one of the biggest moves yet to rein in a runaway market.

The Standing Committee of the National People's Congress listed the tax as one of 69 levies to have top priority in a five-year agenda, the Communist Party's mouthpiece People's Daily reported last Saturday. Enacting the real estate tax is "crucial," a committee official reportedly said.

The commitment adds to a drumbeat of statements from officials on the urgency and importance of pressing ahead with a levy that began to be trialled as long ago as 2011 in Shanghai and Chongqing.

A national tax on home ownership has been seen as a key way of cooling speculation - but also potentially risky for the blow to market sentiment. "The government in this term is much more determined on the property tax," said Xia Dan, a property analyst at Bank of Communications Co. "Just think of how many signals have been sent by officials on various formal occasions."

China will likely pass legislation before the end of 2019, Wang Tao, head of China economic research at UBS Group AG in Hong Kong, wrote in January. Since president Xi Jinping began a second five-year term this year, government efforts to prepare for a levy have included starting a national platform to register property ownership information.

The nation's wild residential market seems barely under control even after a relentless flow of curbs over more than two years and a big drive to promote rental housing. In April, the head of the central bank's research bureau, Xu Zhong, called for an acceleration of property tax reform. In July, the statistics bureau said that China may expedite legislation for a levy.

Grave situation

Escalating home prices in China may be making it an ever more expensive place to live but pity the sick and elderly: it's also becoming an increasingly less affordable place to die. Grave prices have outpaced home prices in every one of the past three years, according to Fu Shou Yuan International Group Ltd, China's largest publicly-traded operator of cemeteries and funeral facilities.

The cost of an average plot, roughly the size of half a yoga mat, has surged 41pc since the first half of 2015 to 100,483 yuan (\$14,800). A gauge of home prices in 70 Chinese cities advanced 23pc over that period. Fu Shou Yuan filings show that's about 112,545 yuan per square metre in 2017 - double the 56,196 yuan per square metre it costs to buy an apartment in the southern metropolis of Shenzhen, China's most expensive city.

Property tax law among China's fast-tracked legislation plan

China is accelerating tax legislation, including the closely-watched property tax law, according to a legislation plan.

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The plan of the 13th National People's Congress (NPC) Standing Committee published on Friday unveiled 11 tax bills, which shows that China has hastened tax legislation, the Xinhua News Agency reported Friday.

The 11 tax bills include those for a property tax law, value-added tax law and consumption tax law. They are expected to be reviewed during the term of the 13th NPC Standing Committee.

The Budgetary Affairs Commission of the NPC Standing Committee and the [Ministry of Finance](#) are drafting the property tax law.

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