



CHINA – January 2019

Contents

CHINA GRANTS FARM MARKETS TAX PREFERENCES	1
CHINA’S PROPERTY TAX PLAN COULD EMERGE FOR 2019.....	1
CHINA’S NEW TAX-DEDUCTION POLICY RAISES CONCERNS ABOUT RISE OF RENTS	2

China grants farm markets tax preferences

China's wholesale and retail farm markets are now exempt from the paying property tax and land use tax as the country wants to boost its agricultural product distribution.

The exemption period will last for three years until Dec. 31, 2021, according to a statement jointly issued by the Ministry of Finance and the State Administration of Taxation.

Farm markets that also deal in other commodities can be partially exempt from taxation in line with the proportion of the trading floor area for farm produce.

China’s property tax plan could emerge for 2019

China's long-delayed plan to collect property tax, one of the country's biggest efforts to curb a swelling real estate market, could make headway this year, according to a top tax law expert in China.

Property tax legislation could be submitted for review by China's top lawmaking body, the Standing Committee of the National People's Congress (NPC), said Liu Jianwen, a law professor at Peking University and head of the Fiscal and Tax Law Research Institute at the China Law Society, during a forum in Beijing on Monday.

Liu explained that under the timetable for 2020 reforms, this year could see important tax legislation submitted to the NPC Standing Committee for review, including a draft law for property tax.

China has discussed the property tax plan and even launched pilot programs in Shanghai and Southwest China's Chongqing as early as 2011. However, it never materialized as its sudden implementation would shake the real estate market - a pillar of the national economy.

As the property market continues to overheat, top officials seem determined to implement the tax plan. During the national legislative sessions, Chinese Premier Li Keqiang said that China will steadily push forward property tax legislation.

Analysts said that a duty on property ownership could raise price tags for housing speculators and help squeeze the price bubble, while the move might affect a number of households in China, where home ownership is of great cultural significance. The potential scenario creates a dilemma for policymakers.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Although housing prices in major cities have dropped after a slew of regulatory tightening measures, the lack of property tax has also been an obstacle for the country's push for other tax reforms.

It is still a "relatively long process" between the property tax plan and the NPC Standing Committee's review to its final implementation, Liu said, adding, "it will depend on the maturity of the property tax law draft and the majority consensus of the measure to be formed in society."

China's new tax-deduction policy raises concerns about rise of rents

The new Chinese tax law, which added additional deductions from taxable incomes for rents, seems to have raised worries in the leasing market due to the possible rise in the cost of renting an apartment.

"I'm qualified to apply for tax reduction on my rents under the new policy," said a 20-something white-collar worker surnamed He in Beijing.

"But the owner of the apartment slammed the door over my attempt as he said he would raise the rents if authorities levied tax on the housing after my application," He told the Global Times on Sunday. "Because the current rent does not cover tax."

According to the new individual tax law, which came into force on January 1, housing rent deduction of three levels, 800 yuan (\$116), 1,100 yuan and 1,500 yuan each month, will be granted to taxpayers owning no housing in the city where they work.

"Housing owners do have concerns now, because if their tenants apply for tax deduction for rents by submitting the information of the apartments and owners to authorities, the tax bureau may request owners to pay taxes including value-added tax, property tax and personal income tax," Liu Jiu, a housing agent based in Chaoyang district in Beijing, told the Global Times on Sunday.

Apartment owners in China who lease out their properties may be required to pay taxes according to the relevant regulations. Helping tenants acquire tax-deductions may disclose the homeowners' income from the lease to the government.

For example, if the rent is 3,000 yuan per month, and the annual renting property tax rate is 3 percent, an apartment owner will pay more than 90 yuan for property tax per month, Liu said, adding while tenants can claim over 100 yuan tax deduction.

"Apartment owners worry that more tax will be transferred to them so they are unwilling to assist tenants for their application for tax deduction," Yan Yuejin, a research director at E-house China R&D Institute, told the Global Times on Sunday.

Housing owners are also obliged to assist tenants to complete the deduction of the rent tax, and it is unreasonable or even illegal to obstruct the tax deduction, giving an excuse such as the owners being forced to pay the tax, according to Liu.

Industry analysts said that more efforts were needed to regulate the source of income from renting and domestic housing departments are expected to set up and improve a supervision system for the payment of rent tax in the near future.

There is no clear requirement whether housing owners should repay taxes, The Beijing News reported over the weekend, citing customer service with Beijing tax bureau.

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.