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IS A NATIONAL PROPERTY TAX LIKELY AROUND THE CORNER? 1

Is a national property tax likely around the corner?

China's real estate sector has been one of the major contributors to GDP growth in the past 30 years. And the possibility of a national property tax has triggered a heated discussion during the Boao Forum for Asia this year.

Many experts are saying that a national property tax is likely just around the corner. Robert McKellar, the executive chairman of Savills Asia Pacific, forecasted no property tax in the near future and advised policymakers to take differentiation of property tax into consideration.

“Chinese government right now does not want to implement any tax that slows the growth project,” McKellar addressed.

There are some concerns about whether property tax will discourage housing sales and affect the Chinese economy.

McKellar acknowledged that any property tax would have a negative effect on the market, but he added: “I don't think this additional tax will have a major impact on people who buy property.”

Based on his words, a national property tax would influence the investment market, but at a small level.

“The problem in China is that there is little different value to invest in. The stock market is relatively not mature. And it's not easy to invest overseas. So people would still fund money in property,” he explained.

But he denied an opinion that a flat property tax could effectively deter speculation. “I don't think it will curb speculation,” he commented.

“you may say speculation, I may say investment. So it's the very fine line between speculation and investment,” he elaborated.

“For example, if you own four or five properties in Shanghai, this tax will not make you want to sell or speculate anymore, because it's not a large tax,” he further explained.

Therefore, McKellar advised policymakers to differentiate the tax and introduce the tax in the way that “those who can afford more can pay more, those who can't afford they don't have to pay more”.

According to McKellar, the property tax, in general, is that the house owner pays for tax based on the value of the property. “More expensive it is more tax you pay. We have a similar tax in the UK, which is based on the value of the property and is paid every year. And there is a similar tax in the U.S. and Australia,” he explained.

McKellar continued to say: “If your property will sell one million yuan in Shenyang, but 20 million yuan in Shanghai –20 times of actual cost, so you should be able to pay (more taxes). It's positive.”

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