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Proposed law on land appreciation tax to further regulate China's property market

A draft law covering China's land appreciation tax (LAT) will extend the current four-tier tax system and bring real estate built on collectively owned land within the scope of taxation.

The draft shows the country's resolve to curb property speculation, and it provides supplementary regulation of rural collectively owned land that will be transferred into the housing market, according to analysts.

China has been encouraging some rural collectively owned land to be developed to housing projects in recent years.

According to the draft law published by the Ministry of Finance and State Taxation Administration on Tuesday, the LAT will apply to collectively owned land in cases where usage rights are transferred.

The new law will provide an institutional framework for the development of rental housing and commercial houses, which are all forms of low-income housing, Yan Yuejin, research director at E-house China R&D Institute, told the Global Times on Thursday.

But the start of the legislative process for the LAT, which is also seen as an anti-profiteering tax, has raised concerns in the property sector. Some worry that the LAT will squeeze profits on houses that are being resold, and that multiple home owners could be heavily taxed.

The draft said that China will continue using the four-tier tax policy on property transfers, and it will also waive taxes on low-income housing where the price of land has appreciated by no more than 20 percent.

Public feedback on the draft is being accepted till August 15, according to a notice on the website of the Ministry of Finance.

The extension of current LAT rates shows China will continue to restrict speculation in the real estate market. It shows a balance of justice and efficiency, Dong Liming, an expert in urban planning at Peking University, told the Global Times on Thursday.

"The discussion of LAT has been going on for a long time. The original purpose was to curb unregulated investment and prevent the loss of state-owned assets. The law is expected to be applied to some pilot cities in the country first," Dong added.

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