IPTI Xtracts
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China will deepen economic reforms as growth slows

China will open up more sectors to private firms and reduce direct government interference in microeconomic activities, the official Xinhua News Agency said on Monday, as Beijing seeks to accelerate economic reforms as growth slows.

China will create a new regulation and control mechanism that prioritises fiscal, monetary and employment policies, pushes forward market-based interest rate reform and increases two-way fluctuations of the yuan currency, said Xinhua, citing a wide-ranging document detailing Beijing's guidelines on boosting the country's socialist market economy.

China's economy shrank 6.8% in the first quarter of 2020 from a year earlier, as the novel coronavirus spread from the central city of Wuhan where it emerged late last year, and the government has said economic conditions remain challenging.

The country's leaders promised sweeping reforms at a key party meeting in late 2013 but implementation has been slow, frustrating some foreign companies while some local private firms have complained about being treated unfairly compared with state-owned firms.

Beijing will also draw up a new round of medium- and long-term national plans for scientific development, according to the document, which added that state capitals would be encouraged to invest in areas critical to the country's economy, science and technology, defence and security sectors.

China will also liberalise domestic natural gas pricing at an appropriate time and advance earlier pledges that promise equal access to oil and gas infrastructure. It currently regulates wholesale gas prices by setting city-gate prices.

The country is in the middle of launching a planned national oil and gas pipeline group which was announced in December, 2019.

The document also said legislation of a property tax would be pushed forward steadily.

China’s Property Policy Outlook: Will China Property Tax Finally Come in 2020?

Xinhua news reported last week that National People’s Congress （NPC）is drafting a law on property tax, quoted by a Legislative Affairs Commission of NPC.

The government has not clarified a date for the implementation of the new property tax. However, the market expects major changes to China’s tax system could take place in 2020 due to the authorities’ reform and legislation agenda. Besides, previous China Political Bureau, the party’s policymaking body said that modern fiscal and taxation systems would be established by 2020.

The market rumour recently said that Shenzhen had been highlighted as one of the most likely cities to next pilot the property tax to dampen speculative demand.

The new leadership has continually highlighted a desire to use more economic measures such as the property tax and Rural Land Reform to establish a long term stable mechanism to regulate the property market, rather than administrative measures such as home restriction purchase policy. For the property tax implementation, we believe that:

- The government is still determined to push forward property tax legislation; however, based on current information, China may need another two years or longer to release a property tax law, and the process is likely to be slower than expected.
- There is still unlikely to see new city introduce a property tax on a pilot basis before the legislation.