Research on the Reform of Housing Property Tax in China

Chao-wen JI
College of Civil Engineering and Architecture, Linyi University, Shandong, China

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Abstract. Based on the background of China's housing and real estate tax reform, this paper analyses the economic situation of Chinese and foreign housing and residents, the object of China's housing and real estate tax, the housing stock and financial situation of local government jurisdictions, and suggests that China's housing and real estate tax reform should be steadily promoted through legislation first and appropriate authorization.

Introduction
China is probably the earliest country in the world to levy real estate tax, there is a record of levying "Fang Bu" (part of the land tax) In Zhou Li, Di Guan, Si Tu. The tax between the Tang Dynasty and the housing donations during the Qing Dynasty and the Republic of China all belong to the nature of personal property tax \[1\]. The property tax in Hong Kong levies on property owners, the object of which is the rental income of land and buildings. The current tax rate of property tax is 15%. Rates are levied on the market value of rent (annual rent) of land and buildings, and belong to the tax levied on the use of property. In recent years, the tax rate is 5\%\[2\].

Britain is one of the earliest countries in Europe to levy real estate tax. In the Poverty Relief Act of 1601, there was the Domestic Rates, which levied taxes on household land, housing, etc. according to the assessed price. At present, most countries in the world have similar taxes, some are called real estate tax, such as Austria, Poland, others are called property tax, such as the United States, Germany, Chile, and others are called local tax or ratings, such as New Zealand, Britain, Malaysia and so on.

Summary of Research
The property tax which is based on the stock housing and the right to use state-owned land. It has become a tax "prey" for some taxation experts and the media. China's academic circles have carried out research on foreign property tax and its reference, the status of China's real estate tax legislation and the pilot reform of property tax, including the following aspects:

The first is a comparative study that describes the property tax system and collection in the United Kingdom, the United States and other countries or regions, and combines the national conditions to explore the design and collection of the Chinese property tax system. For example, Xuming Mi and Liming Huang evolution of the US property tax exemption system and its policy implications \[3\], Chengcheng Wei experience of the British, American, Japanese and Korean property tax experience and enlightenment \[4\], elaborated on the foreign real estate tax system for Chinese housing Real estate tax reform provides reference.

The second is the value pursuit of property tax legislation, and strives to carry out the top-level design of property tax legislation from the macro level. For example, Yanfeng Bai real estate tax can become a reliable source of local fiscal revenue in China \[5\].

The third is to study the real estate tax pilot projects, such as Ronghua Tan real estate tax reform pilot projects in Chongqing and Shanghai to see China's real estate tax reform \[6\], Zongtao Wang and Wei Xiong real estate tax pilot reform issues: policy applicability analysis \[7\], focusing on its legitimacy, economic effects and so on.
The Problems with Housing Property Tax

In 1949, the Administrative Council of the People's Republic of China issued the "National Tax Administration Implementation Principles" (implemented in 1950), and listed property tax as one of the 14 taxes levied. In August 1951, the Government Council issued the "Provisional Regulations on Urban Real Estate Tax of the People's Republic of China", which merged property tax and real estate tax into real estate tax.

After the socialist transformation, the national capital industry and commerce, which occupied an important position in the early days of liberation, has disappeared. Especially after the "Dayuejin" and "Cultural Revolution", the environment for the collection of China's real estate tax has undergone tremendous changes. The private ownership of China's means of production has turned into socialism. Public ownership. In 1973, incorporated urban real estate taxes imposed on state-owned enterprises and collective enterprises into industrial and commercial taxes.

After the reform and opening up, the real estate industry has risen rapidly, and the number of foreign-invested enterprises has increased rapidly, based on the separation of ownership and use rights of state-owned land in China. In 1984, two types of land use tax were restored. In September 1986, the State Council promulgated the Provisional Regulations of the People's Republic of China on Real Estate Tax, which applies to domestic units and individuals, but personal housing is mostly tax-free.

In 2011, Shanghai and Chongqing in China conducted pilot projects on property tax reform. The Shanghai real estate tax pilot takes the housing property tax as the entry point, tries to improve the local tax system, regulate income distribution, and regulate the macro economy; the Chongqing real estate tax pilot is to “regulate income distribution and guide individuals to reasonable housing consumption”. However, the pilot project of Shanghai real estate tax will not be included in the scope of taxation before the pilot project. In the pilot project of Chongqing real estate tax, the pre-test housing stocks are limited to single-family housing, and both cities will curb new housing investment as taxation purposes. It is also doomed to the end of the property tax pilot.

Low-level Regulations

Most of the tax regulations in the form of “temporary regulations” and “trial regulations” formulated by the administrative department are in the taxation field in China; the tax laws enacted by the National People's Congress and its Standing Committee are few, and only three of the 18 taxes in China are Entity tax laws, namely the Individual Income Tax Law (1980), the Corporate Income Tax Law (2007), the Vehicle and Vessel Tax Law (2011); the property tax and other dozens of taxes are formulated and promulgated by the State Council, and the level of property tax regulations is lower. The situation is inconsistent with the principle of “ruling the country by law” and “legislation law” of the Legislative Law.

Functional Positioning Deviation

In cities with higher levels of economic development, house prices are automatically matched with their economic levels; cities with large housing demand and scarce housing prices will continue to rise even without speculators. However, the mass media always regards property tax as a weapon to curb real estate speculation and suppress housing prices, while ignoring the skyrocketing housing prices is closely related to many factors such as land price, wage level, population, economic level, and monetary policy.

Some taxation experts regard the property tax as a weapon to solve the local government's financial difficulties. In 1994, after the reform of China's tax-sharing system, the central government's fiscal revenue increased, but the adjustment of fiscal expenditure rights was limited. Governments at the provincial level and below were responsible for providing important social support and almost all public services. China's local governments showed financial constraints. situation. Some taxation and taxation experts regard the housing property tax as a new tax source that increases local fiscal revenue
and effectively resolves local financial difficulties. It focuses on considering fiscal (demand), but does not consider the appropriate principle of taxation and regional differences in China.

**The Difference between China and Foreign Countries is about the Personal Housing Property and the Economic Status of Residents**

China’s personal housing property rights are quite different from those in foreign countries. The state-owned land use right has already paid the rent for the corresponding period (state-owned land use right transfer fee). For the property tax with the owner as the taxpayer, the value-added value of the land use value should not be included in the taxation scope of the owner of the house; Tax is a kind of tax that is calculated when the real estate is traded, and the value-added part of the house building and structure and land cost, management fee and other deductible items are calculated. That is to say, the housing construction and structures do not add value due to real estate development. The transaction does not have to pay land value-added tax; on the contrary, the General Principles for the Design of Civil Buildings stipulates that ordinary buildings and structures have a design life of 50 years, and as the life cycle of housing buildings and structures evolves, The value is gradually reduced, and the residual value of housing-like ordinary buildings and structures with a life span of 50 years is close to zero, and the corresponding tax synchronization tends to zero.

There are huge differences in family economic status and asset status between China and Western countries. The median annual household income in the United States in 2017 was $61,372. The median annual income of urban households in China was $21,284, which is only one-third of that in the United States. However, in 2017, China’s urban family housing assets and US family housing assets they were $ 182,500 and $ 286,500, China urban housing assets equivalent to two-thirds of US households housing assets. China's urban family housing assets are equivalent to 8.6 times the family's annual income. Most of China's urban households’ income is deposited as housing assets; American household housing assets are equivalent to 4.7 times the family's annual income, and US household income is only converted into housing assets. Therefore, if you imitate the US property tax, Chinese residents will not be able to bear the weight of the property tax.

**Their Differences are Huge about the Local Government's Fiscal Revenue, the Population of the Jurisdiction, and the Market Value of the Housing**

The difference between them is huge, the fiscal revenue of the local government at the same level in the east and the west of China, and the population and housing in the area under its jurisdiction. Shanghai, Beijing, Guangdong, Jiangsu and other provinces and cities located in coastal areas and important industrial bases, with a large number of industrial enterprises, strong enterprise vitality and good efficiency, industrial and commercial tax revenues account for a large proportion of fiscal revenue, high land revenue, and large population. Housing stocks are large, housing values are high, and local government finances mostly have surpluses. The number of industrial enterprises in China's central and western regions is small, the company's vitality is not enough, the benefits are not good, and large-scale losses, industrial and commercial tax revenues decline, lack of high-quality financial resources, and low fiscal revenue. Administrative expenditures account for the vast majority of fiscal expenditures, 80-90% are used to guarantee wages and maintain public utilities, public expenditures and development expenditures are insufficient, and rigid expenditures cannot be guaranteed. However, the population of the jurisdiction is small, the housing stock is small, and the housing value is low.

Shanghai Pudong New Area in 2017 as local public revenues $15547 million, Kunshan City, Jiangsu Province, local public finance revenue of $ 5508 million, Ritu County of Tibet local public revenues of $ 3.91 million; they are also quite poor population, were 500.1 million, 165.7 million, 7786. The eastern coastal areas currently have more fiscal surpluses; the central and western regions have less housing in the local government, and the housing market value is low. It is impossible to increase the housing property tax to fundamentally solve the financial difficulties of local governments.
There are also large gaps in neighboring counties in similar areas. In 2017 districts of Shanghai, for example, the per capita housing market capitalization in Shanghai’s Jing’an District, the district in the highest, per capita housing market capitalization was $ 414,600; the per capita housing market capitalization of Shanghai Jinshan District in the southwest suburbs of the lowest in the district in Shanghai, the per capita housing market capitalization was $ 56906 and the market value of Jinshan District, the per capita housing per capita housing market capitalization of 14.28% Jing’an District. The total market value of Shanghai housing districts are also quite different in 2017, the Pudong New Area housing market capitalization of $ 122.93 million, Jing’an District housing market capitalization was $ 44.277 million, Jinshan District housing market capitalization was $ 4.58 million  
\[9\] Jinshan District housing The total market value is 3.73% of Pudong New Area. It can be seen that the original “one size fits all” model of property tax collection seriously deviates from the principles of fairness and appropriateness of taxation and will lead to many social problems.

**Countermeasures**

The inclusion of individual housing in China's real estate tax will affect hundreds of millions of families. In 2016, rumors of a new credit policy for house purchasing in a city triggered a wave of divorce among citizens in order to avoid the "new credit policy". A slight deficiency in the reform of housing property tax laws and regulations may make housing property tax a "bad tax", which has a huge negative impact on society and residents. The reform of housing property tax should be based on legislation first, with appropriate authorization, to ensure that the majority of residents live and work in peace and contentment.

**Promote Property Tax Legislation**

Raising the level of property tax regulations, promoting property tax legislation, and building a property tax law with Chinese characteristics are the only way to reform the housing property tax. China's "Legislation Law" (2015) Article 8 (6) Taxation establishment, tax rate determination and tax collection management and other basic taxation systems can only make laws. It can be seen that the conditions of China's “tax statutory” have matured. The government should fully implement the tax statutory principle, and the housing property tax reform should be preceded by legislation, that is, the National People's Congress is based on fiscal principles. The principle of taxation system design, such as efficiency principle, fairness principle and moderateness principle, after solving many problems faced by China's housing property tax, in accordance with the legislative procedures of the National People's Congress, the property tax legislation was completed and promulgated.

**The Essence of Returning Taxes**

The price of the property is not determined by the tax. The price of the property is determined by the supply and demand relationship of the market. It is also affected by the national financial policy and the real estate control policy. Therefore, it is not appropriate to link the real estate tax with the property price. Considering the housing stock, housing market value, number of residents, and residents' income in the central and western regions, the housing property tax is also unable to shoulder the heavy responsibility of the local financial main tax. With the exhaustion of China's housing price rise, the contradiction between housing supply and demand has gradually eased. China's real estate tax system should follow the rational path of on-demand development and return to the essence of taxation.

The property tax mainly regulates the distribution of income and plays a role in promoting social equity. At the same time, it raises fiscal revenue to meet the needs of the government to provide public services. Real estate tax is an important tax to improve the local tax system. Property taxes do not have to and cannot take on too many functions. The wrong positioning of the housing property tax function may lead to a biased legislative direction and a multi-faceted impact on residents' livelihood, which is not conducive to positively guiding residents to consciously pay taxes.
Appropriate Housing Property Tax Rate and Reduction

At present, the property rights of China's housing properties are vastly different from those of Western countries. The value of housing assets of Chinese households is similar to that of developed countries in the West, and the income is much lower than that of western developed countries. The tolerance of Chinese households to housing property tax cannot apply the European and American tax rates. Such as in the central city area has a set of Beijing and other cities more than 100 square meters of housing households, according to the market value of housing over $1,562,500, if the property tax rate by 1%, required to pay property taxes of $15625 per year. The average disposable income of households in Beijing in 2017 was approximately $23,437.

Appropriate housing property tax rate and appropriate housing property tax reduction are the key factors for legislation and implementation. Tax exemption for self-use housing, accurate collection of personal rental housing property tax, minimizing the impact of housing property tax on ordinary families, ensuring the majority of residents Being able to live and work in peace and contentment, to achieve the development goals of living and living, and to continuously meet the growing needs of the people for a better life. At the same time, based on the personal housing property rights data, establish a personal housing rental tax database to achieve full coverage of individual housing rental property tax.

Appropriate Authorization

The financial situation, residential housing, household income, and housing market value of various governments in China vary widely. The “one size fits all” model of property tax is unscientific and unworkable. The implementation of China's housing property tax should be based on the legislation of the National People’s Congress. The local government appropriately authorizes local governments to decide whether to open a property tax based on their own financial tax laws and based on the property tax laws, and allow local governments to appropriately lower the housing property tax rate according to the prescribed procedures. The tax rate can be as low as possible. 0, that is, the property tax is not open; but the administrative department of the local government is prevented from using the legislation to raise the tax rate and carry out tax expansion.

Concluding Remarks

China's housing property tax should be levied first by legislation, accurately collect individual rental housing property tax, appropriately authorize and other property tax reforms, which will straighten out the legal status of housing property tax; straighten out the tax function of housing property tax; levy land value-added tax on individual sales, and real estate tax on individual rental housing, which can avoid the impact of housing property tax on most families, and is conducive to continuous raising. The high housing level of residents constantly meets the people's pursuit of a better life.

References


