



## CHINA – February 2021

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### ***To tax property or not—that's the debate***

A recent Xinhua report discussed home prices and the property tax, sparking speculation that a new tax may be imposed to rein in any runaway trend in home prices in some cities.

In late December, a report from the Chinese Academy of Social Sciences suggested new charges may be part of the 14th Five-Year Plan (2021-25).

For more than a decade, property tax has been the equivalent of crying wolf in China. But now, after a year of pandemic-related ups and downs in the housing industry, the issue of whether or not there would be a new property tax has gathered tremendous staying power in public chatter.

The Xinhua dispatch mentioned possible tough measures to cool the overheated home market. It also discussed a slew of suggestions to uphold the principle that "housing is for living in, not for speculation". A view expressed was that a levy of property tax in a reasonable and scientific manner could help.

The CASS report, according to Economic Daily, suggested cities where home prices tended to overheat may want to test a new solution in the form of a property tax during the 14th Five-Year Plan period. In line with the Central Economic Work Conference's emphasis on solving housing problems in major cities, the report said systematic strategies should be adopted, including charging property tax.

James Macdonald, head and senior director of Savills China Research, said: "The government continues to talk about long-term mechanisms to control the property market and reduce the reliance of local authorities on land sales by diversifying tax sources and recurring income streams.

"Therefore, property taxes are one of the natural choices. In addition, the new tax can also ease the fiscal pressure of local governments in social services improvement, fiscal stimulus and infrastructure expenditure."

Chen Sheng, president of the China Real Estate Data Academy, said, "It's highly likely for property tax to enter the legislation procedure during the 14th Five-Year Plan period, and it will likely become part of day-to-day life in a couple of years."

Property tax is one of the few taxes that are yet to complete the legal procedure needed for implementation, Chen said.

### **International Property Tax Institute**

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Regardless of the anticipated new taxation, people who live in their properties don't have to worry too much, as the real estate tax would only help regulate the home market and aims to curb speculation, experts said.

In 2011, Shanghai and Chongqing became the only two cities to levy property tax. In Shanghai, the tax is collected only from families having housing area of more than 60 square meters per person, and it is taxed at a rate of 0.4 percent or 0.6 percent of the total property price annually, depending on the apartment's price per square meter.

In Chongqing, the tax, which is levied on a trial basis, is focused more on taming investment speculation in high-end properties, with the rate set between 0.5 percent and 1.2 percent of the property price annually.

However, the real estate tax in other cities will likely be completely different from what is being levied in Chongqing and Shanghai, in terms of tax base and collection as that involves all related government divisions, from legislation to implementation, experts said.

## HONG KONG

### ***Rating and Valuation Department to resume normal services***

In line with the Government's announcement to fully resume normal public services, the Rating and Valuation Department (RVD) announced today (February 16) that from February 18, the opening hours of its enquiry counters will resume as 8.15am to 6pm, Monday to Friday (public holidays excluded).

To achieve social distancing, crowd control measures may be implemented at the enquiry counters when necessary, and the waiting time for service may be longer. Members of the public are encouraged to use the department's 24-hour electronic services ([www.rvd.gov.hk](http://www.rvd.gov.hk)) to submit forms or obtain information as far as possible. They may also contact the department by email ([enquiries@rvd.gov.hk](mailto:enquiries@rvd.gov.hk)), fax (2152 0138) or phone (2152 0111/2152 2152).

The RVD appeals to members of the public to download and use the "LeaveHomeSafe" mobile app before they visit the department's enquiry counters in person. This is to align with the arrangement starting from March 1 that members of the public will be required to use the "LeaveHomeSafe" mobile app or register relevant information before entering government buildings or offices.

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