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Property Tax and Assessment News from Around the World

CHINA – March 2021

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New Valuation List and Government Rent Roll open for inspection

The newly declared 2021-22 Valuation List and Government Rent Roll will be available for inspection from next Monday (March 22).

The List and Rent Roll can be inspected during office hours from March 22 to May 31 at the Rating and Valuation Department (RVD), Cheung Sha Wan Government Offices, 15/F, 303 Cheung Sha Wan Road, Kowloon.

The public may also search for entries on the List and the Rent Roll on the department's website (www.rvd.gov.hk) or its Property Information Online (PIO) website (www.rvdpi.gov.hk) during this period.

Notices relating to the display of the List and the Rent Roll were gazetted today (March 19).

Proposals objecting to the new rateable values should be made on the specified form (R20A), which is available from the RVD or the Home Affairs Enquiry Centres of the Home Affairs Department. Completed forms should reach the RVD by post or by hand between March 22 and May 31. The public may also lodge a proposal by submitting an electronic form (e-R20A) using the Electronic Submission of Forms service provided on the department's website.

"Proposals received after May 31 or served by other modes including facsimile transmission will not be accepted," a department spokesman said.

All rateable values are reviewed by reference to rental values in the open market on the designated valuation reference date of October 1, 2020, to ensure that the rates and Government rent liability are distributed fairly among rates and rent payers in accordance with the assessed rateable values.

Rates are charged at a percentage of the rateable value of the property. For the financial year 2021-22 the rates percentage charge will remain at the present level of 5 per cent. If payable, Government rent is charged at 3 per cent of the rateable value of the property.

In the 2021-22 Budget Speech, the Financial Secretary announced the waiving of rates for four quarters of 2021-22. For each domestic rateable tenement, the concession ceiling will be $1,500 per quarter for the first two quarters, and $1,000 per quarter for the remaining two quarters. For each non-domestic rateable tenement, the concession ceiling will be $5,000 per quarter for the first two quarters, and $2,000 per quarter for the remaining two quarters.

Rates and Government rent demands to be issued in early April will show the revised rateable values for 2021-22, the Government rent payable and the net rates amount payable after deducting the rates concession. Leaflets explaining the general revaluation and the rates concession scheme will accompany these demands. Enquiries can be made on the department's 24-hour hotline 2152 0111.

"The demands must be paid by the last day for payment shown on the demand whether or not an objection is made to the new rateable value," the spokesman said. "If there is any change to the rateable value as a result of any objection, this will date back to April 1, 2021, and any necessary adjustment to the amount payable will be made in subsequent demands."

To enhance valuation transparency, rates and rent payers of assessed private residential properties (excluding village houses) may obtain information on the saleable area and age of their properties free of charge through the PIO by making use of the Assessment Number and the PIO Enquiry Code printed on the Rates and Government Rent Demand.

China omits property tax from 2021 legislative agenda

China omitted mention of a property tax in its 2021 legislative plan on Monday for a second consecutive year as the government focuses on boosting consumption to cement an economic rebound from the COVID-19 pandemic amid lingering uncertainty.

The topic was also omitted from the government’s work reports in 2020 and 2021 by Premier Li Keqiang at the annual meeting of parliament, which set out the full-year agenda, though property tax legislation is still planned for the future.

“As China’s economic recovery still faces pressure from various uncertainties including the United States’ stimulus and a resurgence of the epidemic, policymakers attach greater importance to the stability of the real estate market,” said Lu Wenxi, chief analyst with property agency Centaline.

“Once there are major tax policy changes, there might be some turbulence.”

China’s property market quickly regained strength last year after the coronavirus crisis, offering much-needed support for an economy that has now almost fully recovered to pre-pandemic levels.

“The reform of the property tax is not so much in line with this year’s theme of expanding domestic demand and stimulating consumption,” said Li Yujia, chief economist at Guangdong Property Policy Research Institute.

“The focus of this year is resolving housing problems in big cities, which is more specific.”

The Chinese government and the National People’s Congress said in 2019 that the country would advance steadily towards the drafting of a property tax, which is widely seen as the most powerful tool to deter speculators.

The property tax legislation is still part of the plan for this term of the Standing Committee of the National People’s Congress, whose tenure ends in 2023, Li said, adding that substantial progress on the issue would be seen in the next two years.

The Chinese government said on Friday in its development plan for 2021-2025 that it would push for the property tax legislation over next five years.

Real estate is king for China's cities as tax revenues stumble

Beijing and Shanghai reap booming property markets while others struggle

China's regional governments are taking in proceeds from land sales that are equivalent to more than half of the country's combined tax revenue as coronavirus relief measures diminish traditional intake from levies.

This has buoyed the budgets of big cities such as Beijing and Shanghai, which are seeing sustained building booms, but has done little to help other cities where real estate markets are in a funk.

Sales of government land brought 16% more in revenue last year at 8.41 trillion yuan ($1.30 trillion), a sum equivalent to the value-added tax and corporate income tax, two mainstays of China's tax regime, combined.

Due to tax cuts targeted at fighting the pandemic and the slowdown in economic growth, overall tax receipts collected by the central and local governments shrank 2.3% to 15.43 trillion yuan in 2020, the first decline in 44 years. This put the intake from land sales at 55% of that figure, up from 26% in 2015.

Chinese municipalities often sell land to condominium developers. Local authorities also collect five other taxes relating to real estate, including one for using urban land. Revenue from the five taxes quadrupled over the decade through 2019 and expanded to 25% of local government receipts. Figures have yet to be disclosed for 2020.

In the top tier cities of Beijing, Shanghai, Guangzhou and Shenzhen, the extra liquidity from coronavirus relief has sent an influx of money into their property markets. Condo sales have picked up.

Sales of state-owned land by area jumped by double digits last year in all four cities. Beijing's land sale receipts climbed by 15%, and the other three cities enjoyed 50% gains. Certain inland metropolises like Chongqing and Xi'an also experienced a rise in land sale receipts.

At the other end of the scale, acreage sold in the cities of Tianjin and Zhengzhou shrank in 2020 from the previous year, causing budget receipts there to undershoot forecasts.

The coronavirus left deep scars in those cities, and demand for real estate failed to recover. At a November land auction in Tianjin, no developers showed up to bid, according to local news reports. Tianjin, a northeastern coastal city, ended up with a budget shortfall of more than 40% in 2020 after recording a deficit the previous year.

A lack of land revenue could have an impact on debt repayment by local governments, which fund infrastructure projects by issuing so-called special bonds. Money from real estate sales make up 90% of the pool used to repay the bonds. Local governments sold 3.75 trillion yuan of special bonds last year, up 1.6 trillion yuan from a year earlier.

Infrastructure investment is driving China's economic recovery from the coronavirus, and this increased investment only raises the pressure for governments to repay the debt.

"If land transactions are underperforming, it will affect the debt management at local governments," said Yan Yuejin at the E-house China R&D Institute, a real estate think tank, indicating risk to future infrastructure investment.

Some cities are loosening residency rules as a way to prop up their property markets.

In January, Fuzhou stopped requiring applicants to submit their ages, occupations and academic record when they sign up for household registration. The city in southeastern China aims to attract not only more highly skilled professionals, but also additional migrant workers coming from rural areas.

Fuzhou was home to 7.1 million people in 2019 based on household registry data. "Our goal is to top 10 million people by 2035," a senior city official told Chinese media.

Suzhou will open household registries to those living in rental units, bucking the trend in several cities of limiting this privilege to homeowners. Home registry opens the door to better public services, which would attract new residents.

Suzhou and Nanjing, another city in Jiangsu Province, will mutually honor points toward household registry gained in each city. As long as new arrivals travel between the two cities, the points earned will not be reset. Suzhou and Nanjing aim to increase the mobility of workers between the two cities and expand the metropolitan region.

The coastal city of Qingdao is easing rules that restrict household registries to professionals with superior academic backgrounds. Even Guangzhou, with its robust real estate market, is proceeding with similar measures.

"As the working population contracts, cities look to secure labor and high-level professionals while the cities still project strong appeal," said an observer.