



中國金融學會  
CHINA SOCIETY FOR FINANCE & BANKING

# **CHINA AND INDIA: SUSTAINING HIGH QUALITY GROWTH**

**New Delhi**

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*Session IV:*  
Securing Fiscal Resources for Development Expenditures

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*Chinese Taxation: The Current Situation and Future Reform*

Gao Peiyong

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Presentation





中国社会科学院财经战略研究院  
National Academy of Economic Strategy, CASS

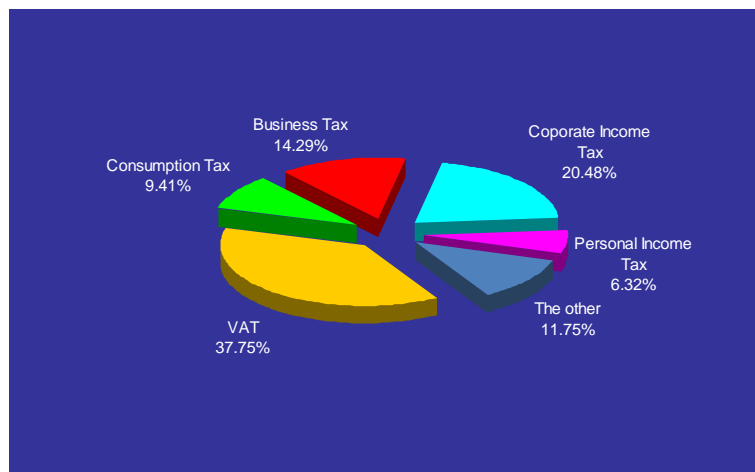
# Chinese Taxation: The Current Situation and Future Reform

Peiyong, Gao  
2012.03.19-20



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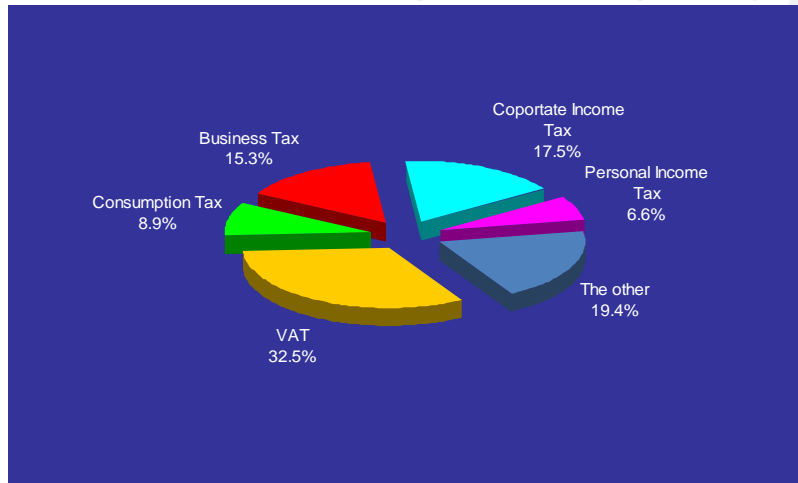
***Current Situation 1 : The high proportion of turnover tax—State Administration of Taxation ( 2011 )***





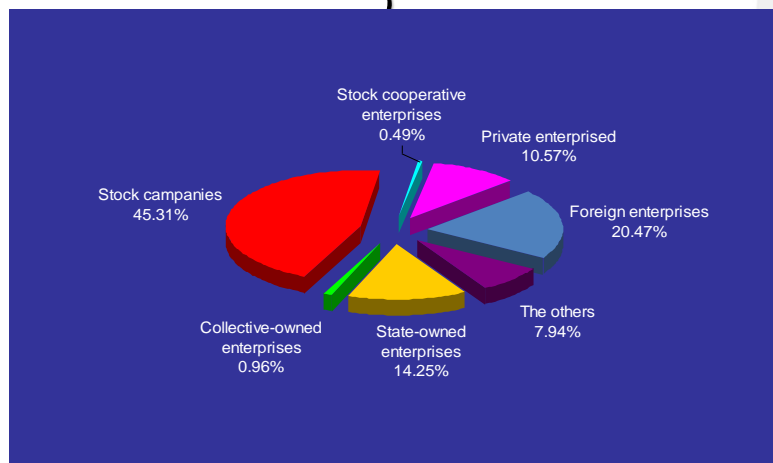
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**Current Situation2 : The high proportion of turnover tax—Ministry of Finance ( 2010 )**



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**Current Situation3 : The high proportion of enterp-  
-rise tax—State Administration of Taxation ( 2011**





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## *The serious unbalance of the current taxation forms*

Turnover tax: over 70%+From enterprises: Over 90%

Huge  
challenges

The high relevance between tax and price	→	High tax, high price
The difference between Chinese and foreign countries' tax	→	Export duty refund for the trade friction
Most tax from enterprises	→	Increase the nominal levy of enterprises
Divert the attention to direct tax	→	No good for equalization of the income distribut



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## *Structural Tax Cut1 : Main on VAT*

### ▪ *Main on VAT*

- Main tax in China
- The chance : Assimilate Business tax into VAT

### ▪ The effects : three channels

- Reduce the double taxation
- Reduce the difference of levy after the reform of VAT's Conversion
- Reduce the average levy after reform

### ▪ Shanghai's Pilot : Application and extension



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## *Structural Tax Cut2 : outspread effect*

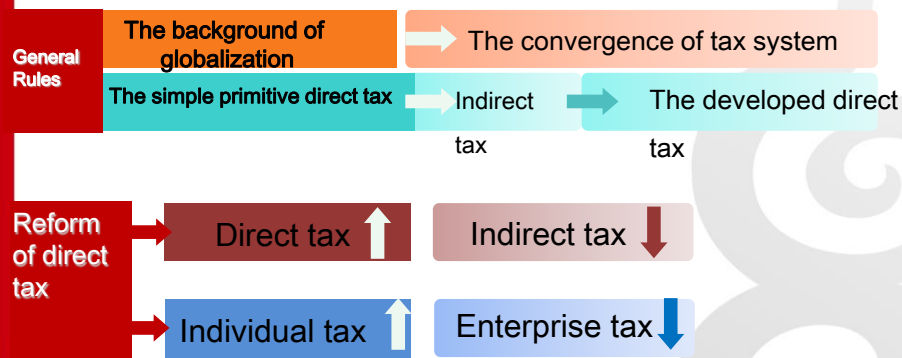
### *Extension of VAT : The relevant Reforms*

- Spread the reform to whole China
- Address the contradictions
  - The main tax of local tax system——Direct tax
  - The risk of the increase of VAT——Direct Tax
  - The reform of revenue-sharing system——Fiscal system



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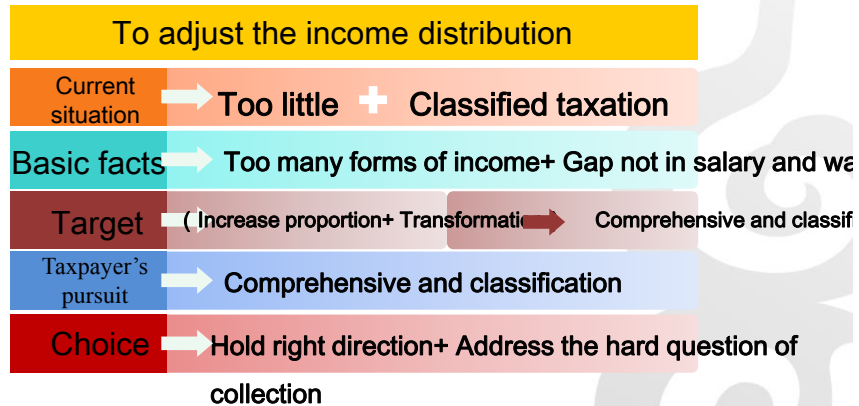
## *The future reform1 : Increase of direct tax*





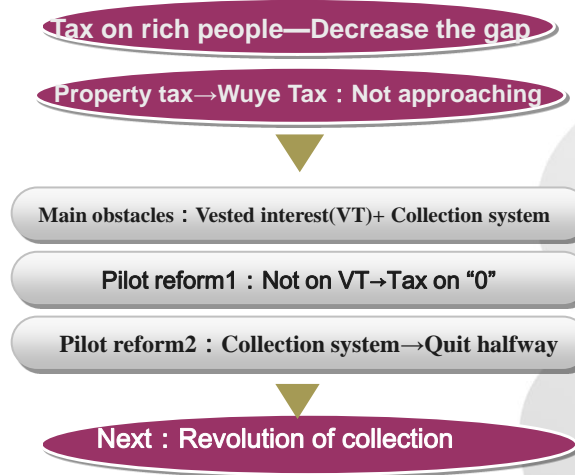
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## *The future reform2 : The comprehensive PIT*



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## *The future reform3 : China's property tax*





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## *Basic construction : Revolution of collection*

Indirect	Rely too much on Indirect Tax
Cash flow	Tax on cash flow!
Direct tax	Build the relevant collection system
Collection	Taxation departments can't do themselves
Outlet	All society



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**Thank You !**