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HIGHLIGHTS

- Finance Minister Liu Kun: intensify the proactive fiscal policies to boost high-quality economic growth
- Vice Premier Liu He co-chaired the Second China-Germany High-level Financial Dialogue in Beijing with Olaf Scholz, Deputy Chancellor and Finance Minister of Germany. Vice Finance Minister Liao Min attended the Dialogue and addressed on the topic of macroeconomic situation and global economic governance
- MOF published a circular on the *Measures for the Disclosure of Local Government Debt Information (Trial)*
- The State Council decided to introduce more measures to cut taxes for small and micro-sized enterprises
- China's fiscal revenue and expenditure in 2018

Brief Introduction to IEFI

Founded in 2007, the International Economics and Finance Institute (IEFI) is affiliated to the Ministry of Finance of China, specializing in international economic and financial studies. Its main functions include macroeconomic research on advanced economies such as U.S., Europe and Japan, and on emerging economies such as BRICS countries; research on global and regional economic and financial cooperation, global governance reform and international development cooperation; participation in bilateral and multilateral financial dialogues; and exchanges with think tanks and government agencies around the world.

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I. Policy Update

1. MOF published a circular on the Measures for the Disclosure of Local Government Debt Information (Trial)

On December 29, MOF published a circular on the *Measures for the Disclosure of Local Government Debt Information (Trial)*, which provided the following. First, it is applicable to the disclosure of local government debt information by finance departments at or above the county level. Second, the disclosure of local government debt information should follow the principle of openness. Third, the disclosure channels. The information of local government debt limit, balance, usage arrangement and debt service within the scope of budget and final accounts disclosure shall be made public on the portal website of local government and finance department. If the finance department does not have a portal website, it shall make public the relevant information in a dedicated section of the local government's portal website. Local government bond information outside the scope of budget and

final accounts disclosure shall be made public on the portal website of provincial finance department and the issuing institution. MOF has set up a local government debt information disclosure platform or section to support local finance departments to disclose local government debt (bond) information. Fourth, local finance departments at or above the county level should disclose information of local government debt limit, balance, usage arrangement and debt service payment along with budget and final accounts. Fifth, the provincial finance department should disclose the new government bond issuance and refinancing arrangement for the next month before the 20th of each month, and encourage qualified regions to simultaneously disclose local government bond issuance arrangement for multiple months. Sixth, the provincial finance department should disclose relevant information more than five working days before the issuance of new general bonds, special bonds or refinancing bonds. Seventh, when it comes to the disclosure of the duration of general bonds and special bonds, local finance departments shall organize the information disclosure on the duration of general bonds and special bonds of the local region and at the same level, and supervise and guide the departments that use general bonds or special bond funds to disclose relevant information no later than the end of June in each year. Eighth, the disclosure of the violation of laws and regulations. If illegal debt guarantees is held accountable, the finance departments at all levels shall disclose the results of accountability review within 20 working days after receiving the accountability review

decision. Ninth, the matters related to the disclosure of information on general bond, special bond and the use of bond funds, the financial and economic information, and the government debt management system. In terms of division of responsibilities, MOF is responsible for guiding and supervising the disclosure of debt information of local governments. The local finance departments at all levels are responsible for organizing the disclosure of government debt information at the local level as well as guiding, supervising and coordinating the use of bond funds by departments at the same level and the disclosure of government debt information at lower levels. In addition, the circular also set out relevant requirements on performance evaluation, daily supervision, legal responsibility and social supervision, and required the finance departments of provinces, autonomous regions, municipalities and cities with independent planning status to formulate local implementation rules in accordance with the provisions of this circular. The circular comes into force starting from January 1, 2019.

2. MOF published a circular on unifying the formats of national fiscal electronic notes and machine billing

On January 2, MOF published a circular on unifying the formats of national fiscal electronic notes and machine billing, which provided the following. First, starting from January 1, 2019, the formats of nationally

unified fiscal electronic notes and machine billing will be launched. Second, the formats of nationally unified fiscal electronic notes and machine billing are applicable to all types of fiscal notes. The scope of application and other management requirements are not changed by the format of notes. The general payment letter of non-tax income is governed by the relevant regulations of MOF. Third, in order to ensure the uniqueness of the fiscal note code in the country, the fiscal electronic note code and the fiscal machine bill code should be compiled according to the nationally uniform coding rules. Fourth, the finance authorities at all levels should attach great importance to the launch of the nationally unified fiscal electronic note and machine billing, formulate practical and feasible implementation plans according to local conditions, make preparatory work for the launch of the new format and write off the old notes, so as to ensure the relevant work is carried out in a smooth and orderly way. Fifth, the finance authorities at all levels should actively organize the account-keeping of fiscal electronic notes in their jurisdiction to promote the receipt and filing of fiscal electronic notes.

3. MOF published a circular on matters related to the tax authorities' penalty and confiscatory income and other governmental non-tax revenue management

On January 2, MOF published a circular on matters

related to the tax authorities' penalty and confiscatory income and other governmental non-tax revenue management, which provided the following. First, the relevant penalty and confiscatory income, interest income and damages received or generated by the tax authorities during the tax collection process shall all be turned over in full to the central treasury. Second, the relevant penalty and confiscatory income refers to the various penalties and confiscatory incomes collected by the tax authorities and do not include the late payment fees and fines imposed alongside taxes; the interest income refers to the interest income generated by the fiduciary account of tax authorities; damage revenue refers to the damages paid to tax authorities by the defaulting parties entrusted with tax collection in accordance with the *Entrusted Collection Agreement*. Third, when the above-mentioned penalties and confiscatory incomes collected by the tax authorities are turned over to the treasury, they shall fall under the "tax authorities' penalty and confiscatory income" (103050107) of the general public budget revenue; the interest income shall fall under the "other interest income" (103070599) of the general public budget revenue; and the damages shall fall under the "other income" (1039999) of the general public budget revenue. Fourth, all departments should strictly implement the above provisions to ensure that the relevant governmental non-tax revenues are turned over to the central treasury in a timely manner and in full amount. The circular shall come into force on January 1, 2019.

4. MOF published the *Measures for the Accounting of the Fiscal Special Account of Social Security Fund*

On January 3, MOF published the *Measures for the Accounting of the Fiscal Special Account of Social Security Fund*, which provided the following. First, the finance department should separately account for the social security fund by the types of insurance and the different systems. Second, the accounting of fiscal special account is generally done on a cash basis, and the accounting of entrusted investment of basic old-age insurance fund should be done on an accrual basis. Third, the accounting elements of the fiscal special account include assets, liabilities, net assets, incomes and expenses. Fourth, the accounting of fiscal special account uses the debit and credit bookkeeping method. Fifth, the accounting of fiscal special account should keep accounts and prepare financial statements by different accounting periods, and the starting date of the accounting period should be based on the Gregorian calendar. Sixth, the accounting of fiscal special account should be measured in RMB.

5. MOF published a circular on further improving the implementation and management of the central government's budgetary funds for science and technology and education

On January 9, MOF published a circular on further

improving the implementation and management of the central government's budgetary funds for science and technology and education, which provided the following. First, optimize the management of fund payment and increase the autonomy of budget units. Improve the efficiency of budget implementation and allow some scientific research projects and education funds to be transferred from the zero-balance account of the unit to the actual fund account of the unit or other budget units. Second, improve the management of official credit cards and relax the settlement requirements for official credit cards in scientific research projects. Personnel who participate for more than one year in the research projects funded by the central government and oversee the reimbursement of research expenditures may apply for and use official credit cards subject to the approval of the project management department and the finance department. Third, simplify the procurement management of scientific research instruments and equipments and improve the efficiency of government procurement. Simplify the record-filing of the import of scientific research instruments and equipments. Starting from January 1, 2019, for the import of scientific research instruments and equipments by the central universities and research institutes, the procurers may file records through the Government Procurement Planning and Management System and are no longer required to report content such as the main performance indicators and performance.

6. MOF published a circular on the budgetary implementation and management of the central budget units in 2019

On January 9, MOF published a circular on the budgetary implementation and management of the central budget units in 2019, which provided the following. First, improve the foundational work for centralized treasury payment. The budget units should strengthen the pre-planning of budgetary implementation, prepare the fund-use plan in strict accordance with the budget of the unit and the actual need for funds, and improve the accuracy of the fund-use plan. When the budget units actually use the funds, they should choose the corresponding method of payment according to the standard payment method stipulated by MOF. Second, strictly control the transfer of funds to the actual financial account. All departments must strictly control the transfer of funds from the zero-balance account of the higher-level budget unit to the actual financial account of the grass-root budget unit. In principle, all budgets should be broken down to the grass-roots units at the beginning of the year. If it is indeed impossible to break down to the grass-root units, the budget shall be broken down in accordance with the budget adjustment procedures during implementation and the funds shall be disbursed according to the adjusted budget. Third, regulate the storage and management of funds in the budget unit. Establish and improve a scientific, standardized,

fair and transparent fund storage and management mechanism, carry out fund storage in accordance with the principles of compliance, fairness, transparency, safety, scientific assessment, and match between rights and responsibilities, and prevent the security risks and corruption risks of fund storage. Fourth, implement the reform of the economic classification of expenditures. All departments must continue to accurately fill out the economic classification of government budget in the payment instruction in accordance with the relevant requirements of MOF on the reform of the economic classification of expenditures.

7. The State Council decided to introduce more measures to cut taxes for small and micro-sized enterprises

On January 9, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, expand the scope of small-scale and low-profit enterprises that can enjoy preferential corporate income tax, and further strengthen the income tax breaks. The portion of the annual taxable income of small-scale and low-profit enterprises that does not exceed 1 million RMB and the portion between 1 million RMB and 3 million RMB will be deducted by 25% and 50% respectively when included in the taxable income, so that the tax burden will be reduced to 5% and 10%. The adjusted preferential policy will cover more than 95% of

tax-paying enterprises, 98% of which are private enterprises. Second, the VAT threshold will be raised from monthly sales of 30,000 RMB to 100,000 RMB for small-scale taxpayers, which mainly include small and micro enterprises, sole proprietors and other individuals. Third, allow provinces (autonomous regions and municipalities) to reduce the resource taxes, urban maintenance and construction taxes, stamp duties, urban land use taxes, cultivated land occupation taxes, education surcharges and local education surcharges by no more than 50% for small-scale VAT payers. Fourth, expand the scope of entities that enjoy preferential policies for investing in tech start-ups so that venture capital and angel investors who invest in such firms will enjoy more tax incentives. Fifth, in order to make up for the loss of local financial resources caused by large-scale reduction of taxes and fees, the central government will increase local general transfer payments.

8. MOF published the *Measures for the Administration of the Allocation of State-owned Assets of Central Administrative Institutions*

On January 10, MOF published the *Measures for the Administration of the Allocation of State-owned Assets of Central Administrative Institutions*, which provided the following. First, the allocation of the assets of central administrative institutions should be primarily done by means of transfer. If it is indeed

impossible to carry out transfer, comprehensive analysis and feasibility study on the methods of renting, purchase and construction should be conducted on the principle of controlling cost, saving money and facilitating convenient use, in order to choose the most optimal way of allocation. Second, the new assets generated by the capital construction projects of central administrative institutions should apply for the relevant budget for new asset allocation. Third, once the budget for new asset allocation has been approved, it cannot be adjusted in principle. In the implementation of the budget, if it is necessary to adjust for special reasons, the central department shall propose to MOF for adjusting the budget for new asset allocation and shall only carry out the adjustment with the consent of MOF.

9. MOF published a circular on further strengthening and improving the management of state-owned assets of administrative institutions

On January 10, MOF published a circular on further strengthening and improving the management of state-owned assets of administrative institutions, which provided the following. First, relevant departments and units must earnestly assume the main responsibility of asset management. All departments must earnestly perform their management responsibilities over their state-owned assets and rectify problems, place asset

management at the equally important position as fund management, establish and improve the internal control mechanism for asset management, strengthen the division of responsibilities, and engage in close coordination and cooperation to build up the synergy for management. Second, step up the registration and management of assets such as public infrastructure. All units should classify and register assets such as public infrastructure, affordable housing, government stocks and cultural relics, further standardize and strengthen the accounting of various assets, so that the accounts are consistent and the asset information is comprehensive, accurate and complete. Third, explore the establishment of asset sharing and adjustment mechanism. It is necessary to strengthen the overall management of asset allocation and use, and explore the establishment of mechanism for sharing and transferring long-standing inefficient and idle assets.

10. MOF published the *Measures for the Administration of Air Pollution Prevention and Control Funds*

On January 11, MOF published the *Measures for the Administration of Air Pollution Prevention and Control Funds*, which provided the following. First, the areas supported by the special funds include Beijing-Tianjin-Hebei and surrounding areas, the Fen-Wei Plain and the Yangtze River Delta. Second, the Ministry of Ecology and Environment and the

relevant authorities are responsible for proposing annual arrangements for special funds. According to the annual budget size and annual arrangement proposal, MOF will deliberate and formulate special arrangement plan of funds. Third, MOF should allocate special funds to the provincial finance department within 90 days after the approval of the central budget by the National People's Congress, and copy to the Ministry of Ecology and Environment and the local inspector's offices of MOF. Fourth, MOF will disclose the results of fund allocation to the public within 20 days after the special funds are disbursed.

11. MOF published the *Trial Measures for the Management of Subsidy Funds for Universal Telecommunication Services*

On January 14, MOF published the *Trial Measures for the Management of Subsidy Funds for Universal Telecommunication Services*, which provided the following. First, the special funds will focus on supporting the construction of broadband networks such as optical fiber or 4G in administrative villages, border areas and islands (reefs). Second, the special funds shall be included in the central government's special transfer payments by MOF, and be governed by the relevant regulations on the management of local special transfer payments. Third, the local finance authorities should coordinate with the communication management, industry and

information technology authorities to ensure that the special funds are effectively allotted to the pilot projects and the special funds are used to support the pilot work in the region. Fourth, the implementing enterprises should use the special funds they received for intended purpose and conduct accounting according to the relevant national regulations on financial management and accounting.

12. MOF published the *Interim Measures for the Performance Management of the Central Reservoir Resettlement Support Fund*

On January 15, MOF published the *Interim Measures for the Performance Management of the Central Reservoir Resettlement Support Fund*, which provided the following. First, MOF is responsible for the overall organization and guidance of performance management. It reviews performance targets; guides and supervises the implementation of performance targets; determines the central government's priorities and approaches in conducting performance evaluation of provincial governments; determines the use of the results of performance evaluation; and guides performance management of local finance authorities. Second, local finance authorities are responsible for the overall work of performance management in their jurisdiction. They review the setting of local performance targets; organize and monitor the

performance evaluation; review the results of self-assessment and performance evaluation; and determine the application of performance evaluation results and supervise the timely rectification of the problems found in performance evaluation. Third, in budget implementation, the local finance authorities and the resettlement management agencies shall monitor the fulfillment of performance targets and the operation of funds, timely detect and correct the existing problems, and promote the fulfillment of performance targets as scheduled.

13. MOF published the *Interim Measures for the Administration of Public Rental Housing Assets*

On January 15, MOF published the *Interim Measures for the Administration of Public Rental Housing Assets*, which provided the following. First, the allocation of public rental housing assets includes construction (including renovation and expansion), purchase, transfer and donation. Second, the local housing authorities shall organize the preparation of the public rental housing asset allocation plan at their level. The public rental housing asset allocation plan includes the increase and decrease of the units of public rental housing, the area, the capital demand and source, the stock of the previous year's assets, the allocation, the operation and maintenance. The public rental housing asset allocation plan is reported to the

finance authorities along with the departmental budget, and the applied funds are included in the departmental budget. Third, the local housing authorities may organize the establishment of a transfer and use mechanism for the public rental housing assets of different administrative divisions in the same city, and enhance the efficiency of the use of public rental housing assets. Fourth, the non-residential assets of public rental housing projects should be rented out in an open manner.

14. MOF published a circular on strengthening the management of high-frequency and fast-opening lottery game awards

On January 16, MOF published a circular on strengthening the management of high-frequency and fast-opening lottery game awards, which provided the following. First, starting from January 16, 2019, any form of awarding will be suspended. For the ongoing awarding activities, the announcement on suspension shall be issued in a timely manner. The award period shall not exceed 5 days, and shall be halted immediately after expiration. If the prize money of the last award is still in surplus, the award will be discontinued. For the award that has been announced but not yet enforced, a cancellation notice shall be issued in a timely manner. Second, starting from January 16, 2019, any form of promotion will be suspended.

15. MOF published a circular on improving the management of the bookkeeping agency industry in 2019

On January 16, MOF published a circular on improving the management of the bookkeeping agency industry in 2019, which provided the following. First, organize the annual record-filing of the bookkeeping agencies in 2019. The bookkeeping agencies that have obtained the qualification before December 31, 2018 shall file record with the approval authority through the National Bookkeeping Agency Management System before April 30, 2019. If a bookkeeping agency has established a branch, the branch shall file record with the local approval authority. If a bookkeeping agency moves its office to another place before December 31, 2018, it shall file record with the approval authority of the place where it is moved. Second, strengthen the supervision of the bookkeeping agency industry association. The bookkeeping agency industry association established according to laws before December 31, 2018 should file record with the supervisory authorities through the National Bookkeeping Agency Management System before April 30, 2019.

16. MOF revised and published the *Format for Consolidated Financial Statements 2018*

On January 22, MOF revised and published the

Format for Consolidated Financial Statements 2018, which provided the following. First, the revised *Format for Consolidated Financial Statements 2018* is applicable to enterprise groups that have implemented the new financial instrument standards and new income standards. Second, only the consolidated financial statement format has been revised. The format and its various items cover not only the parent company but the subsidiaries engaged in various economic businesses. Third, for the content that needs to be separately presented, enterprise may add to the consolidated financial statement items; for the consolidated financial statement items that do not have the corresponding business, necessary deletion can be made. Fourth, the enterprise group comprised mainly of financial enterprises shall prepare consolidated financial statements on the basis of the financial statement format of financial enterprise and consider the requirements of the financial statement format of general enterprise and the requirements of this circular after adjusting for the consolidated financial statement items.

17. MOF published the *Administrative Measures for the Examination and Review of Large-scale Scientific Research Instruments and Equipment at the Central Level*

On January 22, MOF published the *Administrative Measures for the Examination and Review of Large-*

scale Scientific Research Instruments and Equipment at the Central Level, which provided the following. First, the units that apply for the budget for purchasing large-scale scientific instruments and equipment shall ask the competent authorities to examine and review the relevance, necessity and rationality of the purchase of large-scale scientific research equipment in accordance with the provisions of the Measures. Second, when the relevant units apply for the budget for purchasing large-scale scientific instruments, they must ask the examination and review authorities to conduct review and submit the application for purchase. Third, the examination and review authorities are mainly responsible for the examination and review work. Fourth, the main contents and principles of examination and review work are publicized. Fifth, MOF and other ministries would punish the relevant units for submitting false materials for purchasing instruments and equipment, the examination and review authorities for failing to conduct examination and review in accordance with regulations, and third-party examination and review authorities agencies for carrying out fraudulent practices.

18. MOF and the Ministry of Commerce jointly published the *Circular on Supporting the Service Trade Innovation and Development Guiding Fund to Improve the Project Pipeline*

On January 23, MOF and the Ministry of Commerce

jointly published the *Circular on Supporting the Service Trade Innovation and Development Guiding Fund to Improve the Project Pipeline*, which provided the following. First, make a briefing on the state of the service trade fund, including the amount, operating model, investment field, investment decision and management. Second, use multiple channels such as annual work conference, training, research and symposium to promote the service trade fund to service trade enterprises; members of the inter-ministerial meeting of service trade development, provincial-level commerce and finance departments and relevant national-level industry associations may recommend to the competent authorities of the service trade fund the list of leading enterprises with great service export potential and related projects to be included in the project pipeline; establish a liaison mechanism and invite all units to strengthen contact with the competent authorities of the service trade fund. Third, improve the management of project pipeline. The competent authorities of the service trade fund are responsible for project pipeline construction, operation and maintenance, and should use the project pipeline to strengthen the classified management of projects. Fourth, strengthen policy coordination and form synergy for development.

19. MOF published the *Circular on Implementing the Relevant Documents on Giving Greater Autonomy to*

Scientific Research Institutions and Personnel

On January 23, MOF published the *Circular on Implementing the Relevant Documents on Giving Greater Autonomy to Scientific Research Institutions and Personnel*, which provided the following. First, attach great importance to and enhance the awareness of the importance of implementing the relevant documents on giving greater autonomy to scientific research institutions and personnel. Second, strictly implement the policy measures identified in the relevant documents. Comprehensively carry out self-examination; promptly revise and improve relevant policy measures; and strengthen policy linkages. Third, promote the optimization and improvement of relevant management measures in the spirit of reform. Fourth, effectively strengthen publicity, training and supervision, and pay close attention to policy implementation.

20. MOF and the SAT jointly published the *Circular on the Issues Concerning the Income Tax Policy of Individual Partners in Venture Capital Enterprises*

On January 23, MOF and the State Administration of Taxation (SAT) jointly published the *Circular on the Issues Concerning the Income Tax Policy of Individual Partners in Venture Capital Enterprises*, which provided the following. First, venture capital

enterprises may use either the single investment fund or annual income of venture capital enterprise as the basis for calculating the personal income tax of individual partner's income from venture capital enterprise. Second, if a venture capital enterprise chooses the single investment fund method, individual partner's share of the equity transfer income and dividend income distributed from the fund shall be subject to the personal income tax at the rate of 20%. Third, the single investment fund method refers to the separate calculation and taxation of the single investment fund's (including the venture capital enterprise established not in the name of the fund) equity transfer income and dividend income from different venture capital projects within a tax year. Fourth, the overall calculation of the annual income of venture capital enterprise refers to the calculation of the income that should be allocated to individual partners after the venture capital enterprise deducts the costs, expenses and losses from the total income of each tax year. Fifth, once the venture capital enterprise chooses the single investment fund method or the method of the overall calculation of the annual income of venture capital enterprise, the method cannot be changed within 3 years. Sixth, if a venture capital enterprise chooses the single investment fund method, it shall file records with the competent tax authorities regarding its calculation method, within 30 days after completing the filing requirements in accordance with the provisions of Article 1 of this Circular; otherwise, it shall be deemed to have

chosen the method of the overall calculation of the annual income of venture capital enterprise.

intended purpose of the use of the land or real estate for future reference.

21. MOF and the SAT jointly published the *Circular on the Continued Implementation of the Preferential Policies for Real Estate Tax and Urban Land Use Tax of Agricultural Products Wholesale and Retail Markets*

On January 24, MOF and the SAT jointly published the *Circular on the Continued Implementation of the Preferential Policies for Real Estate Tax and Urban Land Use Tax of Agricultural Products Wholesale and Retail Markets*, which provided the following. First, from January 1, 2019 to December 31, 2021, the real estate and land used by agricultural products wholesale and retail markets (including proprietary and leased ones) for trading agricultural products will be temporarily exempted from real estate tax and urban land use tax. Second, the real estate and land that enjoy the above-mentioned tax incentives refer to the real estate and land that directly provide services for agricultural products trading in the agricultural product wholesale and retail markets. Third, the enterprises that enjoy the tax exemption policy stipulated in this *Circular* shall apply for tax exemption according to the regulations, and keep the property ownership certificate, the relevant materials showing the original value of the real estate, the lease agreement, and the certificate showing the

22. MOF, the Ministry of Civil Affairs and the General Administration of Sport jointly published the *Circular on Adjusting the Rules for the High-frequency and Fast-opening Lottery Games and the Quiz Lottery Games to Strengthen the Supervision of the Lottery Market*

On January 28, MOF, the Ministry of Civil Affairs and the General Administration of Sport jointly published the *Circular on Adjusting the Rules for the High-frequency and Fast-opening Lottery Games and the Quiz Lottery Games to Strengthen the Supervision of the Lottery Market*, which provided the following. First, starting from February 11, 2019, those with a sales period of less than 20 minutes will be adjusted to 20 minutes; the adjustment fund that withholds 1% will be cancelled, and the withholding rate of the lottery public welfare fund will be increased by 1 percentage point; any form of promotion for high-frequency and fast-opening games outside the physical stores will be banned. Second, the prize proportion for a single quiz game will be reduced from 73% to 71%, and the number of quiz games will be strictly controlled. Third, the betting multiple for a single lottery ticket of a high-frequency and fast-opening game is adjusted from 2-99 times to 2-20 times; the betting multiple for

a single lottery ticket of a single quiz game is adjusted from 2-99 times to 2-50 times. Fourth, strengthen the management of sales terminals and strengthen the management over the number of sales terminals in physical stores. Strengthen the supervision over the quota of a single sales terminal. Fifth, stop the prize awards and promotions.

23. MOF published the *Circular on Issuing the Measures for the Administration of Island and Sea Area Protection Funds*

On January 29, MOF published the *Circular on Issuing the Measures for the Administration of Island and Sea Area Protection Funds*, which provided the following. First, the island and sea area protection funds mentioned in the Measures refer to the funds arranged by the central government. Second, the protection funds will be implemented by MOF in conjunction with the Ministry of Natural Resources and the Ministry of Ecology and Environment. Third, the protection funds will support marine environment protection, ocean pollutant treatment and damage remediation. Fourth, MOF is responsible for reviewing the proposal for the allocation of protection funds, preparing and issuing the budget for protection funds, organizing the budget performance management, and guiding local efforts to strengthen fund management. Fifth, the allocation of protection funds may take the factor method and the project-based method. Sixth, MOF, the Ministry of Natural

Resources, and the Ministry of Ecology and Environment are responsible for organizing budget performance management of protection funds, and conducting performance self-assessment and key performance evaluation. Seventh, the protection funds shall be earmarked for intended purposes, and no unit or individual may intercept, occupy or misappropriate the funds. Eighth, the provincial finance authorities in the coastal areas, in conjunction with the marine administrative authorities, shall, in light of the actual local conditions, formulate detailed implementation rules for the management and use of protection funds in accordance with the Measures, and submit them to MOF and the Ministry of Natural Resources for record-keeping.

24. MOF and SAT jointly published the *Circular on the VAT Policy for Enterprises Sponsoring the Winter Olympic and Paralympic Games*

On January 29, MOF and SAT jointly published the *Circular on the VAT Policy for Enterprises Sponsoring the Winter Olympic and Paralympic Games*, which provided the following. First, the sponsoring enterprises and their affiliates participating in the sponsorship will be exempted from VAT when they provide free services related to the 2022 Beijing Winter Olympic, Paralympic and Test Games for the Beijing Winter Olympics Organizing Committee in accordance with the sponsorship agreement and

supplementary sponsorship agreement. Second, the services applicable to the VAT exemption policy are limited to the services listed in the sponsorship agreement and the supplementary sponsorship agreement signed by the sponsoring enterprises and their affiliates with the Beijing Winter Olympics Organizing Committee. Third, the sponsoring enterprises and their affiliates shall separately account for the above services; otherwise, the tax exemption policy shall not be applied.

25. MOF published the *Circular on Issuing the Regulations on the Accounting Treatment of Perpetual Bonds*

On January 30, MOF published the *Circular on Issuing the Regulations on the Accounting Treatment of Perpetual Bonds*, which provided the following. First, the accounting classification of perpetual bond issuers should consider the due date, the settlement order, the interest rate increase and the indirect obligations. Second, the holder of perpetual bonds should distinguish between the following situations for the accounting of perpetual bonds: the holder that has implemented the new financial instrument guidelines and the holder that has not implemented the new financial instrument guidelines.

26. MOF and the Ministry of Science and Technology jointly published

the Circular on Further Optimizing the National Key R&D Programs and Fund Management

On January 30, MOF and the Ministry of Science and Technology jointly published the *Circular on Further Optimizing the National Key R&D Programs and Fund Management*, which provided the following. First, systematically sort through various links, optimize management processes and integrate various financial reports. Second, fully apply information technology and submit materials through the Information System for National Science and Technology Management. Third, the projects with an implementation cycle of less than three years are generally not subject to procedural inspection. The annual inspection plan is formulated in advance, and the inspection is carried out in a relatively concentrated time period. Fourth, give researchers greater power to make decisions on technical direction. Fifth, simplify budgeting requirements. Sixth, expand the authority of implementing agencies in adjusting budget. Seventh, regulate financial audit. Eighth, implement the one-time comprehensive project performance evaluation. Ninth, highlight the representative outcomes and the evaluation of the effects of project implementation. Tenth, strengthen scientific ethics review and supervision. Eleventh, strengthen the responsibility of the implementing agencies and project management institutions. Twelfth, improve project policy coordination.

27. MOF and the other nine ministries jointly published the *Implementation Plan for Further Improving Supply to Promote Steady Growth of Consumption and Promote the Formation of a Strong Domestic Market (2019)*

On January 31, MOF and the other nine ministries jointly published the *Implementation Plan for Further Improving Supply to Promote Steady Growth of Consumption and Promote the Formation of a Strong Domestic Market (2019)*, which provided the following. First, take multi-pronged measures to promote automobile consumption and better meet the needs of residents. Second, shore up the weak links in urban consumption supply and better meet the needs of urbanization and aging. Third, promote the upgrading of rural consumption and promote the connected development of urban and rural consumption. Fourth, strengthen guidance and support and drive new consumption. Fifth, expand the supply of quality products and services to better meet high-quality consumer demand. Sixth, improve the policy system and further optimize the consumer market environment.

II. Facts & Figures

1. China's manufacturing PMI in December was 49.4%

The data released by the National Bureau of Statistics(NBS) on December 31 showed that China's manufacturing PMI in December was 49.4%, down by 0.6 percentage points from the previous month and was below the critical threshold, indicating that the manufacturing sector has weakened. By enterprises of different scale, the PMI of large enterprises was 50.1%, down by 0.5 percentage points from the previous month and stayed slightly above the critical threshold; the PMI of small and medium-sized enterprises was 48.4% and 48.6% respectively, down by 0.7 and 0.6 percentage points from the previous month and stayed below the critical threshold. In terms of the categorized index, among the five sub-indexes that constitute the manufacturing PMI, the production index and supplier delivery time index are above the critical threshold, and the new order index, raw material inventory index and employee index are below the critical threshold. The production index was 50.8%, down by 1.1 percentage points from the previous month but stayed above the critical threshold, indicating that manufacturing production

continued to grow. The new order index was 49.7%, down by 0.7 percentage points from the previous month and remained below the critical threshold, indicating a decrease in orders for manufacturing companies. The raw material inventory index was 47.1%, down by 0.3 percentage points from the previous month and was below the critical threshold, indicating a further decline in the main raw material inventory of the manufacturing industry.

2. China's non-manufacturing business activity index in December was 53.8%

The data released by the NBS on December 31 showed that China's non-manufacturing business activity index in December was 53.8%, up by 0.4 percentage points from the previous month, indicating that non-manufacturing sector's expansion has accelerated. The service industry business activity index was 52.3%, a slight decrease of 0.1 percentage points from the previous month but still remained above the critical threshold, signaling that the service industry continued to grow. The index of business activities in the railway transport industry, telecom broadcasting and satellite transmission services, monetary and financial services, insurance industry and other financial industries stayed at a high level above 60.0%, indicating that these industries have achieved rapid growth. The industries of road transport, postal services, catering, capital market services and real estate are in the contraction

zone, and the total business volume has decreased. The construction industry business activity index was 62.6%, up by 3.3 percentage points from the previous month, showing that the construction industry activities have accelerated. The new order index was 50.4%, up by 0.3 percentage points from the previous month and stayed above the critical threshold, indicating that demand growth in the non-manufacturing market has accelerated.

3. China's CPI rose by 1.9% year on year in December, 2018

The data released by NBS on January 10 showed that China's CPI rose by 1.9% year on year and stayed flat month on month in December, among which, CPI rose by 1.9% year on year and stayed flat month on month in both urban and rural areas; went up by 2.5% year on year and 1.9% month on month for food and went up by 1.7% year on year and down by 0.2% month on month for non-food; increased by 1.7% year on year and stayed flat month on month for consumer goods; increased by 2.1% year on year and stayed flat month on month for services.

4. China's PPI rose by 0.9% year on year in December, 2018

The data released by NBS on January 10 showed that China's PPI in December rose by 0.9% year on year,

and down by 1.0% month on month. The price of the means of production jumped by 1.0% year on year, and down by 1.3% month on month; specifically, the figure surged by 3.8% year on year in the extractive industry, and down by 3.9% month on month; rose by 0.8% year on year in the raw material industry, and down by 2.5% month on month; went up by 0.8% year on year in the processing industry, and down by 0.6% month on month. In terms of the price of the means of consumption, the figure rose by 0.9% year on year for food, and up by 0.1% month on month; rose by 1.6% year on year for apparel, and up by 0.2% month on month; rose by 0.4% year on year for daily necessities, and down by 0.1% month on month; and went up by 0.2% for durable consumer goods, and stayed flat month on month.

5. China's M2 increased by 8.1% year on year in late December 2018

The data released by PBoC (People's Bank of China) on January 15 showed that in late December 2018, M2 balance was 182.67 trillion RMB, up by 8.1% year on year; M1 balance was 55.17 trillion RMB, up by 1.5% year on year; M0 balance was 7.32 trillion RMB, up by 3.6% year on year. 256.3 billion RMB of cash was injected into circulation in 2018. In late December, the balance of RMB and foreign currency loans totaled 141.75 trillion RMB, up by 12.9% year on year, among them, the balance of RMB loans was 136.3 trillion RMB, up by 13.5% year on year;

and the balance of foreign currency loans was 794.8 billion USD, down by 5.2% year on year.

6. China's social financing increased by 9.8% year on year in 2018

The data released by PBoC on January 15 showed that China's social financing reached 200.75 trillion RMB in 2018, up by 9.8% year on year. Specifically, the balance of RMB loans to the real economy reached 134.69 trillion RMB, up by 13.2% year on year; the balance of foreign currency-denominated loans to the real economy reached 2.21 trillion RMB, down by 10.7% year on year; the balance of entrusted loans reached 12.36 trillion RMB, down by 11.5% year on year; the balance of trust loans reached 7.85 trillion RMB, down by 8% year on year; the balance of undiscounted bankers' acceptance notes reached 3.81 trillion RMB, down by 14.3% year on year; the balance of corporate bonds stood at 20.13 trillion RMB, up by 9.2% year on year; the balance of local government special bonds reached 7.27 trillion RMB, up by 32.6% year on year; and the balance of domestic stock financing of non-financial enterprises was 7.01 trillion RMB, up by 5.4% year on year.

7. China's fiscal revenue and expenditure in 2018

The data released by MOF on January 23 showed

that from January to December 2018, the national general public budget revenue was 18.3352 trillion RMB, a year-on-year increase of 6.2%. Among them, the central general public budget revenue was 8.5447 trillion RMB, a year-on-year increase of 5.3%; the local general public budget revenue was 9.7905 trillion RMB, a year-on-year increase of 7%. The tax revenue of the national general public budget revenue was 15.6401 trillion RMB, up by 8.3% year on year; the non-tax revenue was 2.6951 trillion RMB, down by 4.7% year on year. From January to December 2018, the national general public budget expenditure was 22.0906 trillion RMB, a year-on-year increase of 8.7%. Among them, the central general public budget expenditure was 3.2708 trillion RMB, a year-on-year increase of 8.8%; the local general public budget expenditure was 18.8198 trillion RMB, a year-on-year increase of 8.7%. From January to December 2018, the cumulative revenue of the national government fund budget was 7.5405 trillion RMB, a year-on-year increase of 22.6%. Among them, the revenue of the central government fund budget was 403.3 billion RMB, up by 4.2% year on year; the revenue of the local government fund budget was 7.1372 trillion RMB, a year-on-year increase of 23.8%, of which revenue from the transfer of land use rights was 6.5096 trillion RMB, a year-on-year increase of 25%. From January to December 2018, the cumulative expenditure of the national government fund budget was 8.0562 trillion RMB, a year-on-year increase of 32.1%. Among them, the

expenditure of the central government fund budget was 308.9 billion RMB, a year-on-year increase of 13.4%; the expenditure of local government fund budget was 7.7473 trillion RMB, a year-on-year increase of 32.9%, of which the expenditure related to land-transfer revenue was 6.9941 trillion RMB, a year-on-year increase of 34.2%. From January to December 2018, the cumulative revenue of national state-owned capital operating budget was 290 billion RMB, a year-on-year increase of 9.8%. Among them, the revenue of the central state-owned capital operating budget was 132.5 billion RMB, a year-on-year increase of 1.6%; the revenue of the local state-owned capital operating budget was 157.5 billion RMB, a year-on-year increase of 17.8%. From January to December 2018, the cumulative expenditure of the national state-owned capital operating budget was 215.9 billion RMB, a year-on-year increase of 6.7%. Among them, the expenditure of the central state-owned capital operating budget was 102.5 billion RMB, a year-on-year increase of 32.4%; the expenditure of the local state-owned capital operating budget was 113.4 billion RMB, down by 9.2% year on year.

8. China's local government bond issuance and outstanding debts in 2018

The data released by MOF on January 23 showed that 4.1652 trillion RMB of local government bonds were

issued in 2018, among which, 2.2192 trillion RMB were general bonds and 1.946 trillion RMB were special bonds; 2.1705 trillion RMB were new bonds, accounting for 99.6% of the new debt limit in 2018, and 1.9947 trillion RMB were swapped bonds and refinanced bonds. As of the end of 2018, nationwide outstanding local government debts amounted to 18.3862 trillion RMB, which is within the limit imposed by the National People's Congress. Among them, general debts were 10.9939 trillion RMB, and special debts were 7.3923 trillion RMB; government bonds were 18.0711 trillion RMB, and the stock of government debts that are not in the form of government bonds amounted to 315.1 billion RMB.

9. The total profits of industrial enterprises above designated size in China rose by 10.3% year on year in 2018

The data published by NBS on January 28 showed that the profits of industrial enterprises above designated size in China totaled 6.63514 trillion RMB in 2018, up by 10.3% year on year. By types of ownership, the figure stood at 1.85831 trillion RMB for state-controlled ones, up by 12.6% year on year; 10.22 billion RMB for collectively owned ones, down by 1%; 4.69751 trillion RMB for joint-stock ones, up by 14.4%; 1.67755 trillion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, up by 1.9%; and 1.7137 trillion RMB for private ones,

up by 11.9%. The main business income was 102.2 trillion RMB, an increase of 8.5% over the previous year; the main business cost was 85.7 trillion RMB, an increase of 8.3%; the main business income profit rate was 6.49%, an increase of 0.11 percentage point over the previous year.

10. The operating income of China's cultural and related enterprises above designated size in 2018 increased by 8.2%

The data released by NBS on January 31 showed that after a survey of over 60,000 cultural and related enterprises above designated size, the operating income of China's cultural and related enterprises above designated size in 2018 reached 8.9257 trillion RMB, representing an increase of 8.2% year on year. By sectors, the operating income of cultural manufacturing sector was 3.8074 trillion RMB, up by 4.0% year on year; the operating income of cultural wholesale and retail sector was 1.6728 trillion RMB, up by 4.5%; the operating income of cultural services sector was 3.4454 trillion RMB, up by 15.4%. By regions, the operating income of cultural and related enterprises above designated size reached 6.8688 trillion RMB in the eastern region, up by 7.7%; 1.2008 trillion RMB in the central region, up by 9.7%; 761.8 billion RMB in the western region, up by 12.2% year on year; and 94.3 billion RMB in the northeastern region, down by 1.3% year on year.

11. China's manufacturing PMI in January was 49.5%

The data published by NBS on January 31 showed that China's manufacturing PMI in January was 49.5%, up by 0.1 percentage point month on month. In breakdown of enterprises, PMI was 51.3% for large-sized ones, up by 1.2 percentage points month on month and stayed consistently above the critical threshold; 47.2% for medium-sized ones and 47.3% for small-sized ones, down by 1.2 percentage points and 1.3 percentage points month on month respectively and stayed below the critical threshold. In specific terms, the production index and supplier delivery time index were above the critical threshold while the new order index, the raw material inventory index and the employee index were below the critical threshold. The comprehensive PMI output index in January was 53.2%, up by 0.6 percentage point month on month.

III .MOF Events

1. From January 17 to 18, Vice Finance Minister Zou Jiayi attended and addressed the G20 Finance and Central Bank Deputies' Meeting in Tokyo, Japan. The meeting discussed topics such as global economic risks and challenges, growth framework, infrastructure investment, international financial architecture and

international tax cooperation. Before the meeting, Zou Jiayi also attended and addressed the BRICS Finance and Central Bank Deputies' Meeting.

2. On January 18, Liu He, Member of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council co-chaired the Second China-Germany High-level Financial Dialogue in Beijing with Olaf Scholz, Deputy Chancellor and Finance Minister of Germany. Vice Finance Minister Liao Min attended the Dialogue and addressed on the topic of macroeconomic situation and global economic governance.

3. On January 18, Vice Finance Minister Liu Wei visited the Shanghai Stock Exchange, Shanghai Futures Exchange and other financial institutions to conduct research on the construction of the board for science and technology firms and presided over the symposium on state-owned financial capital management to fully listen to the suggestions of relevant government departments and financial institutions.

IV .Local Finance

1. Finance and Audit Bureau of Development Zone of Hohhot City, Inner Mongolia intensified efforts to

revitalize the stock of fiscal funds

According to the news released by the Finance and Audit Bureau of Development Zone of Hohhot City on December 29, Inner Mongolia, in accordance with the requirements of the city's finance authorities on strengthening the management of surplus funds and carryover funds, it has strengthened the mechanisms for budget preparation and implementation and clean-up of surplus funds and carryover funds, actively revitalized the stock of fiscal funds, improved the efficiency of the use of fiscal funds, effectively supported the improvement of the quality and efficiency of real economy and promoted the sustained and healthy economic and social development.

First, establish a sound management mechanism. Further improve the various fund management methods and establish a mechanism that links the revitalization of stock of fiscal funds with budget preparation and implementation. At the same time, establish a regular clean-up and management mechanism for stock of fiscal funds, report the use of stock of fiscal funds on a monthly basis, reasonably reduce the size of the deposits, ease the pressure on the current stock of fiscal, and speed up the progress of budget expenditures.

Second, strengthen budget management. Effectively strengthen the management of budget preparation, and continuously improve the budget completion rate at the beginning of the year. Improve the project

preparatory work in advance, speed up the budget approval and transfer payment disbursement, and strictly control the increase of new stock of fiscal funds. Urge all budget units to speed up project implementation, improve the efficiency of fund use, avoid the formation of surplus funds and carryover funds, and reduce the pressure on treasury.

Third, deepen the reform of the budget management system and establish a sound budget performance management mechanism. Firmly establish the awareness of performance management, optimize resource allocation and improve the efficiency of using fiscal funds.

Fourth, strengthen fiscal supervision and inspection. Conduct regular supervision and inspection on the project implementing agencies, urge all departments to strictly implement relevant regulations, issue written notice of rectification to the budget units with slow expenditure pace and ineffective progress in revitalizing stock of fiscal funds, and require them to regularly give feedbacks on the progress of rectification.

2. Finance Bureau of Xuhui District, Shanghai actively raised financial resources to move forward the fiscal work of next year

According to the news released by the Finance Bureau of Xuhui District, Shanghai on December

29, the Finance Bureau has actively implemented the requirements of the district committee, adhered to the general principle of making progress while maintaining stability, promoted the high-quality development of economy, worked to build a modern economic system, deepened the reform of the fiscal and tax system, and strengthened the coordination of fiscal funds to promote the economic and social development of the area.

First, focus on science and technology to improve the quality and efficiency of economic growth. In light of the macroeconomic trend and in accordance with the strategic framework of the “Four Xuhui” and the “13th Five-Year Plan” of the whole district, it paid more attention to improve the quality and efficiency of economic development, strengthened the link between industrial funds and industrial policies, further increased investment in science and technology, developed forward-looking plan of technological innovation, promoted the upgrading of industrial structure, supported science and technology enterprises and technological innovation projects, and accelerated the application of artificial intelligence and industrial agglomeration. It further optimized the business environment of private enterprises, broadened the financing channels of enterprises, increased government support by deploying industrial policy funds and government procurement policies, fostered new growth areas, actively collected fiscal revenues, and ensured the smooth and healthy operation of the economy.

Second, focus on improving people’s livelihood and enhancing the management of the city district. It prioritized the implementation of major city and district projects, sped up the improvement of the planning and development of the riverside area, continued to promote the protection of the heritage area and the construction of urban road networks, and improved the overall environment of the urban area. It vigorously supported the investment into people’s livelihood such as education, health, culture, sports, elderly care and grass-root social governance, implemented projects to improve neighborhood environment, and constantly improved people’s livelihood and public services; increased funding support for the weak links of urban management, fully supported the funding of rain and sewage treatment project, promoted the comprehensive management of the residential community, and strengthened the detailed management of urban areas.

Third, remove bottlenecks and deepen fiscal reforms. It fully implemented budget performance management, gradually expanded the scope of performance evaluation, continued to explore policy evaluation, and increased the use of performance evaluation results; it kept track of the progress of budget expenditure, enforced the notification mechanism for the progress of budget implementation, strengthened the supervision and management of key projects, made field visit to the underperforming projects, and improved the efficiency of the use of fiscal funds.

3. Finance Bureau of Chongqing Municipality effectively played its role to fight against poverty

According to the news released by the Finance Bureau of Chongqing Municipality on January 7, it has effectively played the role as the government finance authorities by mobilizing financial resources to fight against poverty so as to truly lift the poor out of poverty. First, consolidate the fiscal funds for poverty alleviation. In 2018, the Finance Bureau allocated 4.9 billion RMB of special poverty alleviation funds at or above the municipal level, of which 2.1 billion RMB was from the municipal level, an increase of 4.5% over the previous year. The special poverty alleviation funds were mainly used to support the cultivation and expansion of industries with local characteristics in poverty-stricken areas and improve the basic living and working conditions of the poor. At the same time, it further strengthened the consolidation of agriculture-related funds in poverty-stricken areas and counties, established an incentive mechanism for pilot projects involving the consolidation of agriculture-related funds, and arranged 20 million RMB to reward districts and counties with good performance in carrying out the pilot project. Second, focus on industrial development and employment to promote poverty alleviation. It arranged 210 million RMB of special funds to support 14 national-level poverty-stricken counties and 1919 poverty-stricken villages to develop village-level collective economy; promoted poverty alleviation through asset incomes, and supported poverty-stricken

counties to arrange more than 30 million RMB of agricultural industry development funds annually for poverty alleviation and equity reform; improved the micro-loan policy for poverty alleviation and supported poverty-stricken counties to establish risk compensation fund. As of October 2018, Chongqing has established a risk compensation fund of 700 million RMB with 4.62 billion RMB of cumulative loans. Third, address the shortcomings of the rural living environment. Finance Bureau of Chongqing strongly supported rural waste control and toilet revolution to improve rural living environment. According to the subsidy standard of no less than 5 million RMB in each pilot district and county, it supported the poverty-stricken districts and counties to carry out rural garbage collection and cleaning pilots, and promoted the establishment of a rural garbage collection and disposal mechanism involving rural households, villages and townships. It provided subsidies for 20 extremely poor townships to carry out municipal demonstration projects for improving rural living environment, 100 demonstration projects for building beautiful and livable villages, and 4 municipal demonstration projects for protecting traditional villages.

4. Finance Bureau of Zhangjiajie City of Hunan Province played its role to support the implementation of the rural revitalization strategy

According to the news released by the Finance

Department of Hunan Province on January 8, the finance authorities of Zhangjiajie City of Hunan Province has played its role and supported the implementation of the rural revitalization strategy, playing a positive role in boosting rural revitalization. First, give priority to ensure investment in agriculture, rural areas and farmers. The finance authorities at all levels in the city actively played their fiscal role, and prioritized agriculture and rural areas for fiscal expenditure. As of the end of November 2018, the city spent 2.90 billion RMB on agriculture, rural areas and farmers, which was an increase of 24.2% over the final accounts in 2017 and supported the smooth implementation of the city's rural revitalization strategy. Second, lend full support to poverty alleviation. It solidly promoted the consolidation of agriculture-related fiscal funds to boost targeted poverty alleviation. As of the end of November 2018, the finance authorities of Zhangjiajie consolidated 1.207 billion RMB of agriculture-related fiscal funds and spent 1.135 billion RMB, with a fund payment rate of 94.03%. By improving the publicity and disclosure system and improving the departmental coordination mechanism, it improved the supervisory mechanism of poverty alleviation funds and enhanced the efficiency of fund use. Third, prioritize the support for industrial development. Based on the provincial industrial development plan for poverty alleviation, the municipal Finance Bureau vigorously supported the development of the four major industries of giant salamander, vegetable, tea and fruit, and actively developed the industry chain of "tourism

+ agriculture", forming a new pattern of poverty alleviation with Zhangjiajie characteristics. Fourth, actively cultivate new business entities. It gave play to the role of new business entities and village collective economic organizations in promoting industrial development for poverty alleviation. At present, there are 1,738 farmer professional cooperatives in the city, 1,186 family farms and 162 leading enterprises above the city level. Fifth, support the improvement of the living environment in rural areas. It actively raised funds to be used as rewards for rural environmental improvement, and arranged 1.6 million RMB of budgetary funds at the beginning of 2018 to be used as rewards for rural environmental improvement. In the preparation of the 2019 city-level budget, special funds for rural living environment were set up, and relevant working funds were included in the annual budget to promote the smooth implementation of the rural environmental improvement and continuously improve the quality of rural living environment.

5. The Finance Bureau of Jinhua City, Zhejiang Province took a combination of measures to make good use of fiscal funds

According to the news released by the Finance Department of Zhejiang Province on January 15, since 2018, the Finance Bureau of Jinhua City has adhered to the principle of focusing fiscal resources on major matters and taken a combination of

measures to add new impetus to the development of the city.

First, increase fiscal spending on key areas. Adjust the expenditure structure and ensure the spending on major and strategic projects to boost economic transformation and development; establish a mechanism for increasing spending on areas related to people's livelihood; promote zero-based budget, compile budget and determine expenditure items and amounts on actual financial resources rather than the budget of the previous year.

Second, reduce administrative costs. Cut the "three public expenses" by 2.5% in 2018; explore the establishment of a regular mechanism for cleaning up carryover and surplus funds to improve the efficiency of the use of fiscal funds.

Third, leverage fiscal funds. Strengthen the consolidation of special funds, classify and sort through the special fiscal funds in 2018, and propose relevant suggestions for improving management.

Fourth, strengthen supervision of the performance of funds. Strengthen the performance review of special funds; improve the special fund exit mechanism and no longer arrange budgets for special funds that have expired or have no termination deadline; strictly monitor the dynamics of funds, establish and improve the monitoring and early warning mechanism, and take disciplinary measures to improve the efficiency of funds.

6. The Finance Bureau of Yichun City, Jiangxi Province enhanced the quantity and quality of publicity work

According to the news released by the Finance Department of Jiangxi Province on January 16, the Finance Bureau of Yichun City pursued high-quality development, made notable progress in the publicity of fiscal information, and ranked among the top in the province's fiscal system in terms of information publicity. First, strengthen organization and clarify responsibilities. It established the system of information liaison officers in the bureau, encouraged cadres to actively participate in information publicity; strengthened training and arranged special funds to subscribe to financial newspapers and magazines for everyone to learn; clarified the publicity tasks, quantitatively assessed the tasks, and clarified the responsibilities. Second, strengthen institutional building and improve publicity mechanisms. It improved the assessment methods, and specifically revised the *Measures for Administering the Publicity Work of the Finance Bureau of Yichun and Measures for Assessing the Publicity Work of the Finance System of Yichun*; to improve the pertinence and effectiveness of the reported information, it strengthened communication with the Finance Department of Jiangxi Province and other departments. Third, strengthen checks and improve information quality. The officer-in-charge of each division is responsible for its publicity work. With a focus on timeliness, the important fiscal policies

or important activities were publicized as soon as they were signed by the leaders. Fourth, strengthen supervision and assessment and enhance the publicity drive. It regularly made notifications, included fiscal information publicity work into comprehensive assessment, and strengthened the use of assessment results.

7. The Finance Bureau of Xiamen City, Fujian Province promoted effective fiscal management to boost high-quality growth

According to the news released by the Finance Bureau of Xiamen City on January 21, in the year 2018, with the aim of building a modern fiscal system, it has focused on developing mechanisms, improving performance, strengthening supervision, and orderly promoting fiscal reforms in key areas. First, promote steady growth and transformation. It continued to focus on supporting the growth of real economy, gave play to the guiding effects of fiscal policy and capital, accelerated the industrial transformation and upgrading, and achieved steady and quality growth of fiscal revenues. Second, shore up weak links and promote balance. In accordance with the requirements of adhering to the bottom line, highlighting key points, perfecting the system and guiding expectations, it increased spending on areas related to people's livelihood, kept the spending on areas related to people's livelihood as a percentage

of the general public budget expenditures at above 70%, and made efforts to address the imbalanced and insufficient development of the social undertakings. Third, improve environment and promote coordination. It raised funds from multiple channels at a low cost to fund urban construction, promoted coordinated regional development, and continuously enhanced the city's sustainability and livability.

8. Jiangsu Agriculture Credits Guarantee Company provided over 3.8 billion RMB of policy-based financing guarantee for agricultural development

According to the news released by the Finance Department of Jiangsu Province on January 22, as of the end of 2018, the cumulative amount of guarantees issued by Jiangsu Agriculture Credits Guarantee Company exceeded 3.8 billion RMB and more than 3,000 households were covered, allowing the innovative financial and fiscal policies to be effectively deployed to boost modern agricultural development and rural revitalization. First, make innovative guarantee products accessible to small and micro farmers. In order to enable farmers to access innovative guarantee products, Jiangsu Agriculture Credits Guarantee Company developed a series of credit and guarantee products. Second, reduce financing costs and make the guarantee products affordable for new agribusinesses. Since

its inception, Jiangsu Agriculture Credits Guarantee Company has insisted on providing services for the new agribusinesses at a low guarantee rate of 1%, and even adopted more favorable rates in some areas. The overall financing costs of the new agribusinesses supported by Jiangsu Agriculture Credits Guarantee Company are no more than 6.22%, far below the national level of 8%. Third, stay policy-oriented and consolidate the foundation for rural revitalization. Jiangsu Agriculture Credits Guarantee Company insisted on enabling farmers to enjoy the reform dividends as soon as possible and worked to ensure all the agribusinesses are insured to the most possible extent. At present, it has covered all the regions, industries and entities, and focused more on the moderate-scale agribusinesses. As a result, the average guarantee premiums per household have continued to fall.

9. Xinxiang City, Henan Province comprehensively enhanced the performance of fiscal funds for poverty alleviation

According to the news released by the Finance Department of Henan Province on January 29, the financial authorities of Xinxiang City thoroughly implemented the decisions and arrangements of the City Party Committee and Government on winning the fight against poverty, strengthened political integrity, enhanced the “four awareness”,

and proactively fulfilled the responsibilities. First, strengthen institutional building, comprehensively regulate fund management, and strive to promote the standardized, detailed and institutionalized management of poverty alleviation funds. Second, enhance the safety of funds, effectively improve the level of supervision, implement the “dual track” supervisory system, and continue to step up special inspections. Third, improve institutional mechanisms, improve service quality and efficiency, strengthen organizational leadership, and improve the working mechanism. Fourth, improve work style and conduct, significantly enhance the ability to perform duties, and establish a regular learning assessment mechanism. Fifth, carry out the “five governance and five promotion” activities and focus on major issues such as the innovation of poverty alleviation mechanisms.

10. The Finance Bureau of Qujing City, Yunnan Province took six measures to improve Party building and combat corruption

According to the news released by the Finance Department of Yunnan Province on January 30, the Party leadership of the Finance Bureau of Qujing City combined anti-corruption work with fiscal work to fulfill the responsibility of building a clean and corruption-free government. First, put the Party’s political building in the first place, enhance political

awareness, and ensure that the staff of Qujing's fiscal system are aligned to the Party Central Committee in all aspects. Second, strengthen the responsibility, establish a mechanism for the implementation of responsibility, and form an accountability system that focuses on the implementation. Third, institutionalize the learning and education of Party building studies. Fourth, consolidate the foundation of Party building and enhance the grass-root Party building. Fifth, strengthen supervision and control, regulate the exercise of power, and promote enforcement through effective supervision. Sixth, strengthen the education and management of cadres, enhance the sense of political integrity, further improve work style, conduct, discipline and efficiency, and improve service quality.

Minister Liu Kun said that the investment in basic medical care and health should be further increased at all levels of government, and the basic medical and health system should be provided to the general public as a public good. We must improve the way government invests to make it compatible with the development of public hospitals, fully implement the government's policy on investing in public hospitals that meet regional health plans, and guide local governments to steadily resolve long-term debts of eligible public hospitals after careful screening and sorting.

First, establish a well-structured and efficient medical service system, vigorously promote the pilot program of nationally centralized drug procurement and use, intensify reform efforts to control high-cost medical consumables, and further improve the efficiency of medical insurance funds, so as to give full play to market incentive mechanism, increase transparency of drug prices, and put in place a drug supply system with reasonable prices, adequate supply and regulated order.

V. Remarks & Opinions

1. Liu Kun: promote the establishment of a long-term and sustainable funding mechanism for medical care and health suited to China's national conditions

On December 24, entrusted by the State Council, Finance Minister Liu Kun made a report to the Standing Committee of the National People's Congress on the allocation and use of the fiscal funds for medical care and health.

Second, establish and improve the government-led and diversified funding mechanism for medical care and health to better meet the needs of the development of medical care and health. Further improve the management of non-profit and for-profit hospitals, refine the policies that support private sector's running of hospitals in terms of talent introduction, asset rights, tax incentives, and financing services, give full play to the role of market mechanisms, and incentivize private capital to invest

in medical care and health.

Third, increase investment in poverty alleviation and take effective measures to improve the medical and health conditions of the poor people in rural areas and the medical and health service capacity of poor areas. Improve basic medical insurance, serious illness insurance and medical aid to reduce the burden of medical expenses for the rural poor and effectively prevent the lapse into poverty due to illness.

Fourth, strictly enforce the laws and regulations such as the budget law, strengthen the institutional building, and improve the scientific and regulated use and management of funds. Continue to optimize and consolidate health care projects to avoid duplication of investment and inefficient use of financial resources at the source. Comprehensively promote budget performance management, strengthen performance evaluation of major medical and health investment, improve performance management mechanisms that cover budget preparation and implementation, and link performance evaluation results to project fund allocation.

2. Liu Shangxi: the bedrock of market economy is property rights rather than ownership

Recently, Liu Shangxi, Director General of the China Academy of Fiscal Sciences, said that China's

socialist economic development has entered a new era. Standing at a new historical starting point, China's economic development has achieved great success over the past 40 years. The most important element of the 40-year success is the integration of national development with market economy. In discussing China's economic development, we must return to a fundamental proposition: the socialist market economy.

First, to study the Chinese economy, we must proceed from the complete proposition of socialist market economy. Studying only the generality of the market economy and not the peculiarity of the market economy will result in market economics being divorced from the reality of China. Although there are many common features in market economy, yet it still varies across countries, not to mention countries with vastly different political structures.

Second, the three logics and two major breakthroughs in China's economic development. (1) There are three logics in China's economic development: theoretical logic, historical logic and practical logic. China can draw upon and learn a lot of theoretical logic from the market economics of developed countries. But it is difficult to find clues of the practical logic and the historical logic from the history and practice of other countries. Because China's economic development is entirely based on its own logic, its practical logic and historical logic are completely different from those of other market economies. (2)

Two breakthroughs in China's development theory. The combination of socialism and market economy has broken two dogmas: one is the dogma of planned economy and the other is the dogma of public ownership. With emancipation of mind and active exploration in practice, the above two dogmas were broken. However, from the theoretical and practical perspective, the above two problems have not been completely resolved.

Third, the bedrock of the market economy is property rights, not ownership. The market plays a decisive role in resource allocation, and its cornerstone lies in property rights. (1) Property rights relationship is the main form of property relationship in modern society, and ownership relationship is the main form of property relationship in traditional society. The two have historical links, but the property rights relationship has gradually become the foundation for the development of modern society. (2) As property rights move to the front and ownership retreats, the role of ownership rights and ownership in economic nature and distribution relationship needs to be re-recognized.

3. Liu Kun: intensify the proactive fiscal policies to boost high-quality economic growth

Recently, in the interview with the People's Daily, Xinhua News Agency, CCTV and Economic

Daily, Finance Minister Liu Kun said that General Secretary Xi Jinping delivered an important speech at the Central Economic Work Conference held in December last year, which analyzed the current economic situation and planned the economic work of 2019. Premier Li Keqiang also made specific arrangements for economic work in 2019. In 2019, the proactive fiscal policy should be strengthened and efficiency be improved.

Intensify reduction of taxes and fees and increase expenditures. First, intensify reduction of taxes and fees. On one hand, we must implement larger scale tax cut, combine universal tax cut with structural tax cut, reduce the burden of manufacturing sector and small and micro enterprises, and support the development of the real economy. On the other hand, we must promote reduction of fees, clean up and regulate local collection of fees, and increase efforts to investigate and rectify arbitrary charges. Second, increase fiscal spending. In light of the economic situation and various spending needs, we must moderately expand the scale of fiscal spending. At the same time, we must increase the scale of local government special bonds to support the construction of major ongoing projects and shore up weak links.

Improve the efficiency and effectiveness of the allocation of fiscal funds. To improve the efficiency of fund allocation, we must focus on key areas and weak links and further adjust and optimize

the expenditure structure. The funding of key areas must be well safeguarded, including poverty alleviation, agriculture, rural areas, farmers, structural adjustment, science and technology innovation, ecological protection and people's livelihood; the funding of non-essential areas must be reduced, and the government must tighten its belt, reduce general spending, strictly control the "three public expenditures", cut general spending by more than 5%, eliminate ineffective expenditures, and do not spend a single cent on unnecessary areas. To improve the effectiveness of the use of fiscal funds, we must carry out budget performance management throughout the budget preparation and implementation process and better promote the implementation of policies; continue to revitalize the stock of fiscal funds and recover the long-standing idle funds for the areas in urgent need of financial support.

As we intensify the proactive fiscal policies, instead of resorting to the massive stimulus, we must implement countercyclical adjustment, actively pre-adjust and fine-tune policies, stabilize aggregate demand, and iron out cyclical fluctuations; we must resolutely prevent debt risks, strike a balance between stable growth and risk prevention, and appropriately expand the scale of fiscal spending on the basis of strengthening government debt management; instead of letting government take on everything, we must adopt more reform measures, use more market-oriented and law-based approaches to promote the

sustained and healthy development of the Chinese economy.

4. Zhu Guangyao: the debt ratio of the Chinese government is at a low level among the major economies

At the recent Asian Financial Forum, the former Vice Finance Minister Zhu Guangyao said that the debt ratio of the Chinese government is slightly below 40%, which is at a low level among the major economies in the world. In the past year, China's supply-side reforms have made some progress in deleveraging. At the same time, it is faced with new challenges such as the external headwinds and increased downward pressure on the economy. The United States has 22 trillion USD of government debt, and the Japanese government has a debt ratio of more than 250%. In 2018, the combined central and local fiscal deficit of China added up to about 2.6%. China has always been very cautious in budgetary arrangements and requires the People's Congress to conduct review and deliberations. Therefore, China is confident of maintaining economic growth as the government has ample policy tools. At the same time, it must do so in accordance with market rules and laws. All arrangements are subject to the approval by the People's Congress. In order to maintain stable economic growth this year, China issued 1.9 trillion RMB of local special bonds in advance. It is evident

that China has adopted prudent and stable measures in a targeted manner. In short, in accordance with the proactive fiscal policies deployed by the Party Central Committee and the State Council, we must play a more effective role and do a better job to maintain the stable and healthy development of the Chinese economy.

5. Zhu Guangyao: four uncertainties of China's economic development in 2019

On January 14, the former Vice Finance Minister Zhu Guangyao said in a speech that the most important thing for China's economic development is to make progress while maintaining stability. How to follow the principle of making progress while maintaining stability would be essential for both China and the world. At the same time, it is necessary to objectively acknowledge that there are four uncertainties in the current global economy. First, can we maintain a stable and sustained development trend? Only the close integration of products, industry chains, value chains and supply chains can form a complete global supply chain, enabling the global economy to push forward steadily. But the unilateralism led by the United States is posing a real challenge. Second, the uncertainty of rules. WTO needs reform and is also determined to move forward its reform, but artificial obstacles should not be created to the key appellate courts. In accordance with WTO regulations, there

are only three incumbent members of the appellate court and only two will be left by the end of this year. This is indeed a matter of urgency. For the sake of keeping the general trend of global cooperation, WTO is expected to effectively push forward its reform in a way that respects its members and on a principled basis. Third, the British Parliament has to vote on the Brexit deal between UK and EU. UK is faced with a choice between hard Brexit and soft Brexit, but whether it is hard or soft, it will have a great impact on the global economy in the short term. Fourth, the impact of the US monetary policy. Interest rate has been raised nine times since 2015, and from last October, the Fed began to trim its balance sheet. During the 2008 financial crisis, the Fed's balance sheet was only 1.5 trillion USD, but by the end of last year, it reached 4.5 trillion USD. Therefore, the Fed began to reduce its balance sheet in last October. The Fed's balance sheet still stands at 4 trillion USD and is expected to fall to 2.2 trillion USD in 2022.

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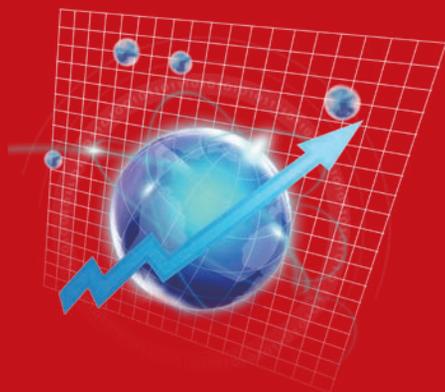
Telephone: 86-10-68141100

Fax: 86-10-68527620

E-mail: iefi@iefi.org.cn

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