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HIGHLIGHTS

- Finance Minister Liu Kun: fiscal policy in 2019 will have greater intensity and effectiveness
- Finance Minister Liu Kun, accompanied by Vice Finance Minister Zou Jiayi, chaired the 22nd ASEAN+3 Finance Ministers and Central Bank Governors' Meeting in Nadi, Fiji
- The Customs Tariff Commission of the State Council published an announcement on raising the tariff rate on certain goods imported from the United States
- MOF published a circular on the development of the IPR service system in 2019
- China's fiscal revenues and expenditures in April

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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Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN+3	Association of Southeast Asian Nations, China, Korea and Japan
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CEPA	Closer Economic Partnership Arrangement
CMIM	Chiang Mai Initiative Multilateralization
CPA	Certified Public Accountant
CPC	Communist Party of China
CPI	Consumer Price Index
CPPCC	Chinese People's Political Consultative Conference
CSRC	China Securities Regulatory Commission
GAC	General Administration of Customs
GDP	Gross Domestic Product
GEF	Global Environment Facility
IEFI	International Economics and Finance Institute
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
MIIT	Ministry of Industry and Information Technology
MOA	Ministry of Agriculture and Rural Affairs

MOC	Ministry of Commerce
MOF	Ministry of Finance
MOHRSS	Ministry of Human Resources and Social Security
MOHURD	Ministry of Housing and Urban-Rural Development
MOST	Ministry of Science and Technology
NBS	National Bureau of Statistics
NDB	New Development Bank
NDRC	National Development and Reform Commission
NPC	National People's Congress
OECD	Organization for Economic Co-operation and Development
PBoC	People's Bank of China
PMI	Purchasing Managers' Index
PPI	Producer Price Index
PPP	Public-Private Partnership
QE	Quantitative Easing
QQE	Qualitative and Quantitative Ease
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SAFE	State Administration of Foreign Exchange
SAT	State Administration of Taxation
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
VAT	Value-added Tax
WTO	World Trade Organization

I. Policy Update

1. MOF and SAT jointly published the Announcement on the Continued Implementation of the Preferential Tax Policy for Rural Safe Drinking Water Project

On May 8, MOF and SAT jointly published the Announcement on the Continued Implementation of the Preferential Tax Policy for Rural Safe Drinking Water Project, which provided the following. First, the drinking water project operation and management unit will be exempted from deed tax if it obtains land use rights for the construction of drinking water project. Second, the property right transfer document signed by the drinking water project operation and management unit for obtaining the land use right for the construction of the drinking water project as well as the construction project contract signed with the construction unit will be exempted from stamp duty. Third, the property and land used by the drinking water project operation and management unit for production and office will be exempted

from property tax and urban land use tax. Fourth, the sales revenue of tap water obtained from the drinking water project operation and management unit providing rural residents with running water will be exempted from VAT. Fifth, for the income obtained by the drinking water project operation and management unit from the investment and operation of the new drinking water projects stipulated in the *Catalogue of Preferential Corporate Income Tax for Public Infrastructure Projects*, starting from the tax year of the first production and operation income obtained from the project, the corporate income tax will be exempted from the first year to the third year and be halved from the fourth year to the sixth year.

2. Four departments jointly published the Circular on Supporting the Promotion and Application of New Energy Buses

On May 8, MOF, MIIT, the Ministry of Transportation and NDRC jointly published the *Circular on Supporting the Promotion and Application of New Energy Buses*, which provided the following. First, appropriately raise the threshold of technical indicators for new energy buses, in order to support high-quality products with high technical level. Second, the localities may continue to provide subsidies for the purchase

of new energy buses and allow the purchase of new energy buses to be exempted from vehicle purchase tax and vehicle and vessel tax. Third, give full play to the central public finance for the infrastructure subsidies, innovate supporting methods, attract private capital, accelerate the construction of new energy bus charging infrastructure, and meet the needs of vehicle use. Fourth, the transportation, finance, industry and information, development and reform departments of all provinces (autonomous regions and municipalities) should formulate implementation plans for new energy bus promotion and application and clarify the goals and timetable for new energy bus application. Fifth, put up a notice before the funds are disbursed and make them public after disbursement. Set up and make public the reporting hotline or online reporting platform to receive the scrutiny of the public.

3. MOF and SAT jointly published the Announcement on the Preferential Tax Policies for Public Rental Housing

On May 9, MOF and SAT jointly published the Announcement on the Preferential Tax Policies for Public Rental Housing, which provided the following. First, the land used during the construction of public rental housing and the land occupied after the construction of public

rental housing will be exempted from urban land use tax. For the public rental housing built in other housing projects, the urban land use tax involved in the construction and management of public rental housing will be exempted according to the proportion of the public rental housing floor area to the total floor area. Second, the public rental housing management units will be exempted from the stamp duty involved in the construction and management of public rental housing. For the public rental housing built in other housing projects, the stamp duty involved in the construction and management of public rental housing will be exempted according to the proportion of the public rental housing floor area to the total floor area. Third, the public rental housing management unit that purchases houses to be used as public rental housing will be exempted from deed tax and stamp duty; the lessor and lessee of the public rental housing will be exempted from the stamp duty involved in the signing of lease agreement. Fourth, for the transfer of old houses to be used as public rental housing by enterprises, public institutions and social organizations, if the appreciation amount does not exceed 20% of the deduction amount, land appreciation tax will be exempted. Fifth, for the donation of houses to be used as public rental housing by enterprises, public institutions and social organizations consistent with tax laws and regulations, the portion of the public welfare donation expenditure that does not

exceed 12% of the total annual profit is allowed to be deducted when calculating the taxable income, and the portion exceeding 12% of the total annual profit is allowed to be deducted when calculating the taxable income in the following three years. For the donation of houses to be used as public rental housing by individuals consistent with tax laws and regulations, the portion of the public welfare donation that does not exceed 30% of the declared taxable income is allowed to be deducted from the taxable income. Sixth, the housing rental subsidies received by the eligible families covered by the urban housing security scheme will be exempted from personal income tax. Seventh, public rental housing is exempted from property tax. The rental income from the operation of public rental housing is exempted from VAT. The public rental housing management unit shall separately account for the rental income of public rental housing, otherwise, it shall not enjoy the preferential policies of VAT and property tax exemption.

4. The central government disbursed 1.985 billion RMB to support local government's implementation of the 2019 National Training Program for primary, secondary school and kindergarten teachers

According to the news published by MOF on

May 13, to thoroughly implement the *Village Teacher Support Program (2015-2020)*, the central government recently disbursed 1.985 billion RMB of special funds for the 2019 National Training Program for primary, secondary school and kindergarten teachers, so as to continue to support the central and western provinces to strengthen the training of teachers of primary and secondary schools and kindergartens in rural areas through methods such as off-the-job training, training in rural areas, online training and visits to prestigious schools. In 2019, factors such as “extremely poverty-stricken counties” and “the number of extremely poverty-stricken villages” are added to the allocation of funds to increase the support to the extremely poor areas. At the same time, all provincial education and finance departments are required to reasonably arrange budgets, scientifically allocate funds and prioritize the training of teachers for extremely poor counties that are geographically connected, national-level poverty-stricken counties, and “three regions and three prefectures”.

5. The Customs Tariff Commission of the State Council published an announcement on raising the tariff rate on certain goods imported from the United States

On May 13, the State Council Customs Tariff Commission published an announcement on raising the tariff rate on certain goods imported from the United States, which provided the following. On May 9, 2019, the U.S. government announced that starting from May 10, 2019, the tariff rate imposed on 200 billion USD worth of imports from China will be raised from 10% to 25%. The above measures of the United States have led to an escalation of Sino-U.S. economic and trade frictions, violated the consensus between China and the United States on resolving trade differences through consultations, hurt the interests of both sides, and failed to meet the general expectations of the international community. According to the *Foreign Trade Law of the People's Republic of China*, the *Import and Export Tariff Regulations of the People's Republic of China* and the other laws and regulations and the basic principles of international law, the State Council Tariff Commission decided that starting from 0:00 on June 1, 2019, the tariff rate on certain goods imported from the United States will be raised.

6. MOF published a circular on promoting the integration of agricultural and commercial enterprises to improve the supply chain of agricultural products

On May 14, MOF published a circular on promoting the integration of agricultural and commercial enterprises to improve the supply chain of agricultural products, which provided the following. First, the central government's financial support is mainly aimed to make up for market failures, improve the basic and public work, leverage the central government's funds to guide private capital, and support the weak links and key areas of the agricultural product supply chain system. The proportion of central government funds that support post-production processing facilities and cold chain logistics of agricultural products shall be no less than 70%. Second, the provinces (autonomous regions and municipalities) that have secured the central government support may each receive 200 million RMB. The funds will be arranged in two years. In 2019, each province (autonomous region and municipality) will receive 100 million RMB. In 2020, the remaining funds will be allocated according to the performance. Third, support enterprises and units that meet the requirements, encourage the management under the form of "menu-style, full disclosure, traceability and performance accountability", increase the use of performance evaluation results, and base the provision of rewards more on ex-post performance evaluation results.

7. MOF published a circular on the development of the IPR service system in 2019

On May 15, MOF published a circular on the development of the IPR service system in 2019, which provided the following. First, provide guidance for the establishment of an industry IPR alliance and an early warning and joint response mechanism for major IPR risks, and deepen the coordinated use of industry IPR. Second, optimize the patent subsidy policy, and vigorously implement the patent quality improvement project; implement the high-value patent cultivation plan, and build a number of key patent pools that support the industrial development and international competitiveness. Third, support enterprises and institutions to implement national standards for IPR management, improve the trademark and brand management system, and accelerate the development of enterprises with strong IPR. Fourth, increase the IPR-pledged financing line, broaden the scope of IPR collaterals for loans, and explore a new model of mixed pledge of patent and trademark; improve the risk sharing and compensation mechanism of IPR-pledged financing and give play to the role of IPR insurance. Fifth, build a public service platform for IPR operation in a certain area by leveraging the patent or trademark examination and collaboration center, IPR operation center, and IPR legal, evaluation and consulting service providers in industrial parks.

8. MOF published a circular on allocating the budget for the subsidies for urban and rural compulsory education in 2019

On May 15, MOF published a circular on allocating the budget for the subsidies for urban and rural compulsory education in 2019, which provided the following. First, starting from the fall semester of 2019, the non-boarding students among the documented poor students in the compulsory education stage, the undocumented disabled students from poor families, students from rural families covered by subsistence allowance scheme, and students from extremely poor rural areas will be included in the scope of the recipients of living allowances. Second, starting from the spring semester of 2019, the funds required for the long-term mechanism for the safety of rural public school buildings will be shared by the central and local finance departments in accordance with a certain proportion. Third, appropriate incentives will be given to the provinces with good performance of implementation. Fourth, starting from July 1, 2018, the salary subsidy standard for special-post teachers will be raised. The annual per capita subsidy standard will be raised from 31,600 RMB to 35,200 RMB in central regions, and from 34,600 RMB to 38,200 RMB in western regions. Fifth, the nutrition and dietary subsidy standard for students of rural compulsory education in poverty-

stricken areas which was previously separately formulated by the central government and local government will be unified into a national basic standard as 4 RMB per day per student. Sixth, all provincial-level education and finance departments should give full play to the provincial-level coordination, urge and guide local governments to do a good job in compulsory education, strive to “control school dropout”, put the meeting of basic needs in the first place, and improve the targeted assistance to students. Seventh, the provincial education and finance departments, in consideration of the central government’s fiscal subsidy standard, may adjust the provincial performance targets.

related to accounting and operation. Third, personnel with junior qualifications in accounting or with college degree and a corresponding level or above in accounting are, in principle, required for the preparation of government financial reports. Fourth, regulate accounting according to relevant accounting standards and requirements of the preparation of government financial reports. Fifth, carefully summarize the experience in the process of report preparation, and study and improve the preparation method. Sixth, ensure standardized methodology, complete content, reliable data and in-depth analysis.

9. MOF published a circular on the 2018 pilot program for the preparation of government financial reports

On May 21, MOF published a circular on the 2018 pilot program for the preparation of government financial reports, which provided the following. First, the pilot central departments and the finance authorities of pilot areas should set up the leading groups and their offices for pilot work, and establish a relatively stable working team comprised of competent officials from relevant authorities. Second, the pilot central departments and the finance authorities of pilot areas should strengthen internal control and create a control mechanism

10. MOF and the SAT jointly published an announcement on the corporate income tax policy for enterprises in integrated circuit design and software industry

On May 22, MOF and SAT jointly published an announcement on the corporate income tax policy for enterprises in integrated circuit design and software industry, which provided the following. IC design companies and software companies that are legally established and meet the required criteria will be exempted from corporate income tax in the first two years if they are profitable before December 31, 2018, and enjoy 50% reduction of corporate income tax at a statutory tax rate of 25%

from the third year to fifth year until the expiration of the policy.

11. The State Council published the *Implementation Plan for Deepening the Reform of the Expressway Toll Road System and Removing the Toll Stations at Provincial Borders*

On May 22, the General Office of the State Council published the *Implementation Plan for Deepening the Reform of the Expressway Toll Road System and Removing the Toll Stations at Provincial Borders*, which provided the following. First, develop the overall technical plan, engineering construction plan, operation and service rules, and network security protection system, by deploying the technology of electronic non-stop toll collection supplemented by license plate image recognition and multiple payment methods. Second, expand service functions and encourage ETC to be used in parking lots and other vehicle-related places; speed up the free installation of ETC devices for existing vehicles; improve the settlement system and provide convenient and efficient services. Third, speed up the revision of relevant laws and regulations such as the highway law and toll road management regulations; clean up and regulate the local toll reduction and exemption policy, and introduce specific implementation opinions on the

toll reduction and exemption policies such as the free passage of small passenger cars during major holidays and the “green channel” for transportation of fresh agricultural products. Fourth, allow local government bonds to be swapped for the stock of eligible toll road debts as of the end of 2014.

12. The State Council determined the measures to advance the market-oriented and law-based debt-to-equity swap

On May 22, Premier Li Keqiang presided over an executive meeting of the State Council, which determined the measures to further promote market-oriented and law-based debt-to-equity swap, which provided the following. First, establish a reasonable pricing mechanism for debt-to-equity swap, improve the due diligence and liability waiver procedures for SOE and implementing agencies, innovate the approaches to debt-to-equity swap, expand the pilot program of debt-to-equity swap, give priority to the implementation of debt-to-equity swap for high-leverage and high-quality enterprises, and promote the signing of more projects. Second, improve the policy and properly solve the problem that the financial asset investment companies and other institutions are running the risks of holding too many debt-to-equity swaps that take up their

capital, take multiple measures to support them to replenish capital, allow the qualified exchanges to trade debt-to-equity swap assets, and give play to the important role of financial asset investment companies in debt-to-equity swap. Third, actively attract private forces to participate in market-oriented debt-to-equity swaps, optimize the shareholding structure, and equally protect the rights and interests of private capital in accordance with laws. Support financial asset investment companies to create asset management products and allow insurance fund and pension fund to make investments. Explore the possibility of allowing public-equity asset management products to participate in debt-to-equity swaps in accordance with laws and regulations. Encourage foreign capital to hold shares in the implementing agencies.

13. MOF published an announcement on the specific policies related to vehicle purchase tax

On May 24, MOF published an announcement on the specific policies related to vehicle purchase tax, which provided the following. First, subway, light rail and other urban rail transit vehicles, loaders, graders, excavators, bulldozers, as well as cranes, forklifts, electric motorcycles are not taxable vehicles. Second, the actual price paid by taxpayers to sellers for the purchase of taxable

vehicles for their own use shall be determined by the price as shown on the purchase invoice and shall exclude the amount of VAT. Third, the taxable price of the taxable vehicle produced and used by taxpayer is determined according to the sales price of taxable vehicles of the same category (i.e. vehicles with the same vehicle configuration serial number) and shall exclude the amount of VAT; if the sales price of taxable vehicles of the same category is not available, the taxable price shall be determined according to the composite assessable price. Fourth, the starting time for the liability of the vehicle purchase tax is based on the time indicated on the vehicle-related invoice obtained by the taxpayer for the purchase of the taxable vehicle. The announcement also stipulates the scope of urban public transport enterprises exempted from vehicle purchase tax, the time when the tax liability for vehicle purchase tax is incurred, and the relevant conditions for tax exemption, tax reduction and tax refund procedures.

14. MOF published an announcement on the second batch of the 2017 and the first batch of the 2018 list of eligible public-welfare social organizations that allow for pre-tax deduction of donations

On May 27, MOF published an announcement on

the second batch of the 2017 and the first batch of the 2018 list of eligible public-welfare social organizations that allow for pre-tax deduction of donations, which provided the following. First, the second batch of eligible public-welfare social organizations that allow for pre-tax deduction of donations in 2017 includes 7 social organizations, among them, the China Women's Development Foundation, the Practical Aid Foundation, and the Zhang Rugeng Charitable Foundation. Second, the first batch of eligible public-welfare social organizations that allow for pre-tax deduction of donations in 2018 includes 175 social organizations, among them, the National Energy Group Public Welfare Foundation, Aiyou Foundation and Chen Xiangmei Public Welfare Foundation.

15. MOF published a circular on further deepening the pilot insurance compensation mechanism for the first (set) major technical equipment

On May 28, MOF published a circular on further deepening the pilot insurance compensation mechanism for the first (set) major technical equipment, which provided the following. First, the first (set) major technical equipment refers to the first set or first batch of equipments, systems and core components with major breakthroughs

in varieties, specifications or technical parameters after innovation, and with IPR but have not yet earned market profits. Second, the MIIT drafted the *Guiding Catalogue for the Promotion and Application of the First (Set) Major Technical Equipment* and will adjust it, where appropriate, according to the development of major technical equipment. Third, the first (set) major technical equipment insurance refers to the comprehensive insurance products that are purchased by the equipment manufacturing enterprise in the Catalogue, with benefits shared with the users, for insuring against the quality risks and liability risks of the first (set) major technical equipment. Fourth, the first (set) major technical equipment insurance compensation mechanism gives full play to the decisive role of the market mechanism, with the central government providing appropriate amount of insurance compensation to qualified insured companies. Fifth, enterprise that manufactures the equipment in the Catalogue and purchases comprehensive insurance for the first (set) major technical equipment or opts for the international general insurance clause may apply for insurance compensation after the delivery of equipment to users, the official entry into effect of insurance policy, and with premiums in excess of 200,000 RMB. Sixth, the central government will provide insurance compensation to qualified insurance companies at no more than 3% of the actual insurance premiums rate and 80% of the actual annual insurance premiums.

16. MOF published an announcement on the pre-tax deduction policy for insurance companies' service fees and commission expenses

On May 29, MOF published an announcement on the pre-tax deduction policy for insurance companies' service fees and commission expenses, which provided the following. First, for the service fees and commissions incurred by insurance companies in relation to their business activities, the portion not exceeding 18% of the balance from the total annual premiums income netting premiums withdrawal is allowed to be deducted when calculating the taxable income; the excess is allowed to be carried forward to the following years for deduction. Second, other matters related to the pre-tax deduction of service fees and commission expenses incurred by insurance companies will continue to be governed by the relevant provisions of Article 2 to 5 of the *Circular of the MOF and the SAT on the Pre-tax Deduction Policy for Enterprise Service Fees and Commission Expenses*. Insurance companies should establish a sound management system for service fees and commissions, and keep account of the deduction of service fees and commissions.

to the performance evaluation of fiscal management work

On May 29, MOF published a circular on the disbursement of reward funds related to the performance evaluation of fiscal management work, which provided the following. Reward funds related to the performance evaluation of fiscal management work are now disbursed to the finance departments in Beijing Municipality, Hebei Province, Zhejiang Province, Anhui Province, Shandong Province, Qingdao City, Henan Province, Hubei Province, Sichuan Province, and Shaanxi Province. The funds are included in the "1100208 settlement subsidy income" under the 2019 government revenue and expenditure subject, with a project code of "Z165110060007". The relevant provinces (cities) should promptly disburse the reward funds to the cities and counties (cities and districts) that have been rewarded, and urge these cities and counties (cities and districts) to strengthen the use and management of the reward funds, and report back to MOF (Budget Department) on the allocation of funds by June 30.

17. MOF published a circular on the disbursement of reward funds related

II. Facts & Figures

1. China's fiscal revenues and expenditures in April

The data released by MOF on May 8 showed that the national general public budget revenue was 7.2651 trillion RMB from January to April, a year-on-year increase of 5.3%. Among them, the central general public budget revenue was 3.4667 trillion RMB, a year-on-year increase of 4.3%; the local general public budget revenue was 3.7984 trillion RMB, an increase of 6.1% year on year. The tax revenue of the national general public budget revenue was 6.3692 trillion RMB, a year-on-year increase of 4.6%; the non-tax revenue was 895.9 billion RMB, a year-on-year increase of 10.3%. The national general public budget expenditure was 7.5667 trillion RMB, a year-on-year increase of 15.2%. Among them, the central general public budget expenditure was 1.03 trillion RMB, an increase of 14.9% year on year; the local general public budget expenditure was 6.5367 trillion RMB, an increase of 15.2% year on year. The national government fund budget revenue was 1.9563 trillion RMB, down by 4.8% year on year. Among them, the central government fund budget revenue was 126.1 billion RMB, an increase of 3.8% year on year; the local government fund budget revenue was 1.8302 trillion RMB, down by 5.4% year on year. The national government fund budget expenditure was 2.2421 trillion RMB, a year-on-year increase of 38.3%. Among them,

the central government fund budget expenditure was 36.5 billion RMB, a year-on-year increase of 100%; the local government fund budget expenditure was 2.2056 trillion RMB, an increase of 37.6% year on year.

2. China's CPI in April rose by 2.5% year on year

The data released by NBS on May 9 showed that China's CPI rose by 2.5% year on year in April, among which, CPI rose by 2.5% year on year in urban areas and 2.6% year on year in rural areas; went up by 6.1% year on year for food and 1.7% year on year for non-food; increased by 2.9% year on year for consumer goods and 2.0% year on year for services.

3. China's PPI in April rose by 0.9% year on year

The data released by NBS on May 9 showed that China's PPI in April rose by 0.9% year on year and up by 0.3% month on month; IPI rose by 0.4% year on year and down by 0.1% month on month. Among the PPI, the price of production materials rose by 0.9% year on year; the price of living materials rose by 0.9% year on year. Among IPI, the price of construction materials and non-metals

rose by 5.1% year on year, the price of ferrous metal materials rose by 3.1%, the price of fuels rose by 1.6%, the price of chemical raw materials fell by 2.8%, and the price of non-ferrous metal materials and wires fell by 1.6%.

4. Total retail sales of consumer goods increased by 7.2% in April

The data published by NBS on May 15 showed that the total retail sales of consumer goods in April reached 3.0586 trillion RMB, a nominal increase of 7.2% year on year. Among them, the retail sales of consumer goods by sellers above a designated size reached 1.112 trillion RMB, an increase of 2.0%. In terms of the location of the business units, the retail sales of consumer goods in urban areas reached 2.6259 trillion RMB, up by 7.1% year on year; the retail sales of consumer goods in rural areas reached 432.7 billion RMB, up by 7.8%. From January to April, the retail sales of consumer goods in urban areas reached 10.9661 trillion RMB, up by 7.9% year on year; the retail sales of consumer goods in rural areas reached 1.8715 trillion RMB, up by 8.9%. In terms of the types of consumption, catering revenues were 328.1 billion RMB, up by 8.5% year on year; retail sales of goods were 2.730.5 trillion RMB, up by 7.0%. From January to April, the catering revenues were 1.3925 trillion RMB, a year-on-year increase

of 9.3%; the retail sales of goods reached 11.4451 trillion RMB, an increase of 7.9%.

5. Value-added of industrial enterprises above a designated size increased by 5.4% in April

The data published by NBS on May 15 showed that the value-added of industrial enterprises above a designated size increased by 5.4% year on year in April 2019 and fell by 3.1 percentage points compared with the figure in March. On month-on-month terms, the value-added of industrial enterprises above a designated size rose by 0.37% over March. From January to April, the value-added of industrial enterprises above a designated size increased by 6.2% year on year. In terms of three categories, the value-added of the mining industry increased by 2.9% year on year in April, 1.7 percentage points lower than that in March; the value-added of the manufacturing industry increased by 5.3%, a fall of 3.7 percentage points; the value-added of the electricity, thermal, gas and water production and supply industry grew by 9.5%, accelerating by 1.8 percentage points. In terms of ownership types, the value-added of state-owned and holding companies increased by 6.0% year on year in April; the value-added of joint-stock enterprises increased by 6.3%; the value-added of foreign-invested enterprises as well as

enterprises invested by Hong Kong, Macao and Taiwan increased by 2.5%; the value-added of private enterprises increased by 5.1%. In terms of regions, the value-added of the eastern region increased by 2.5% in April, the central region increased by 7.7%, the western region increased by 4.0%, and the northeast region decreased by 0.1%.

6. China's lottery sales in April 2019 fell by 13.7% year on year

The data released by MOF on May 21 showed that nationwide lottery sales in April were 35.988 billion RMB, down by 5.717 billion RMB or 13.7%. The welfare lottery sales were 16.285 billion RMB, down by 3.424 billion RMB or 17.4%. The sports lottery sales were 19.703 billion RMB, down by 2.293 billion RMB or 10.4%. From January to April, the nationwide lottery sales were 142.305 billion RMB, down by 3.575 billion RMB or 2.5%. The welfare lottery sales were 65.346 billion RMB, down by 6.613 billion RMB or 9.2%. The sports lottery sales were 76.96 billion RMB, up by 3.038 billion RMB or 4.1%.

7. Total operating incomes of SOEs in China from January to April increased by 8.3% over the same period of last year

The data published by MOF on May 27 showed that the total operating incomes of SOEs in China from January to April reached 18.9023 trillion RMB, an increase of 8.3% over the same period of last year. Among them, the figure for central SOEs was 10.97842 trillion RMB, up by 6.7% year on year; the figure for local SOEs was 7.92388 trillion RMB, up by 10.5% year on year. The total operating costs reached 18.23466 trillion RMB, an increase of 8.5% year on year. Among them, the figure for central SOEs was 10.41162 trillion RMB, up by 6.8% year on year; the figure for local SOEs was 7.82304 trillion RMB, up by 10.8% year on year. The total profits reached 1.12447 trillion RMB, a year-on-year increase of 12.6%. Among them, the figure for central SOEs was 774.94 billion RMB, up by 11.8% year on year; the figure for local SOEs was 349.53 billion RMB, up by 14.4% year on year. The net profits after tax of SOEs reached 831.90 billion RMB, a year-on-year increase of 15.6%. The payable taxes of SOEs reached 1.55398 trillion RMB, a year-on-year increase of 1.7%.

8. China's industrial enterprises above designated size achieved a total profit of 1.81294 trillion RMB from January to April

The data published by NBS on May 27 showed

that China's industrial enterprises above designated size achieved a total profit of 1.81294 trillion RMB from January to April, down by 3.4% year on year. By types of enterprises, the figure for state-owned and controlled enterprises was 570.43 billion RMB, a year-on-year decrease of 9.7%; the figure for joint-stock enterprises was 1.28733 trillion RMB, a year-on-year decrease of 1.0%; the figure for foreign and Hong Kong, Macao and Taiwan invested enterprises was 445.52 billion RMB, a year-on-year decrease of 8.3%; the figure for private enterprises was 459.71 billion RMB, a year-on-year increase of 4.1%. In terms of three major categories, the figure for the mining industry was 173.26 billion RMB, a year-on-year decrease of 0.7%; the figure for manufacturing industry was 1.48364 trillion RMB, down by 4.7% year on year; the figure for electricity, heat, gas and water production and supply industries was 156.04 billion RMB, up by 8.0% year on year.

III . MOF Events

1. On May 2, Finance Minister Liu Kun attended and chaired the China, Japan and Korea Finance Ministers and Central Bank Governors' Meeting

in Nadi, Fiji. The parties exchanged views on issues such as the macroeconomic situation of the three countries and regional financial cooperation. After the meeting, a joint statement by the finance ministers and central bank governors of the three countries was published. Vice Finance Minister Zou Jiayi also attended the meeting.

2. On May 2, Finance Minister Liu Kun, accompanied by Vice Finance Minister Zou Jiayi, chaired the 22nd ASEAN+3 Finance Ministers and Central Bank Governors' Meeting in Nadi, Fiji. The meeting mainly discussed issues such as global and regional macroeconomic situation, future vision and institutional reform of the ASEAN+3 finance process, and issued a joint statement.

3. From May 3 to 4, Finance Minister Liu Kun led the Chinese delegation to attend the 52nd Annual Meeting of the ADB Board of Governors in Nadi, Fiji. Governors or representatives of ADB members as well as representatives of relevant international organizations, industrial and commercial enterprises and civil society attended the meeting. The theme of this year's annual meeting is "Prosperity through Unity". Under this theme, the meeting discussed topics such as addressing the growing global uncertainty and mobilizing private sector funds in challenging markets.

4. From May 5 to 6, Liu Kun, the Party Secretary

and Minister of the MOF, went to Yongsheng County of Lijiang City and Dali Bai Autonomous Prefecture in Yunnan Province to investigate poverty alleviation and the protection of the Erhai Lake.

5. On May 13, Zou Jiayi, Member of the Party Group and Vice Minister of the MOF, together with Lin Keqing, Vice Mayor of Beijing, attended the inauguration ceremony of the Beijing Regulatory Bureau of the MOF. Zou Jiayi also visited the Beijing Regulatory Bureau and had a discussion with all the cadres there.

6. On May 15, Zou Jiayi, Vice Finance Minister and Member of the State Council Customs Tariff Committee, attended and addressed the first working meeting of the 7th Expert Advisory Committee of the State Council Tariff Committee.

7. On May 23, Finance Minister Liu Kun met with Ncube, the Zimbabwean Minister of Finance and Economic Development.

8. On May 24, the Office of the Customs Tariff Committee of the State Council held a meeting on the exclusion of goods from tariff increase on U.S. imports. Vice Finance Minister Zou Jiayi attended the meeting and laid out the work requirements.

IV. Local Finance

1. Finance authorities of Jiangxi Province took practical measures to cut taxes and fees

According to the news released by the Finance Department of Jiangxi Province on May 5, the tax and fee reduction is the top priority of this year's proactive fiscal policy, and the Finance Bureau of Yichun City in Jiangxi Province has focused on building three mechanisms, taking three measures and working on three priorities to ensure effective implementation of the tax and fee reduction. First, build three mechanisms to help implement the policies, specifically, the implementation mechanism, the coordination mechanism and the publicity mechanism. Second, take three measures to help alleviate the funding pressure of market entities, specifically, increase the investment of special funds, exercise leverage to solve the financing difficulty, and make good use of the industrial funds to accelerate development. Third, work on three priorities to ensure the fiscal sustainability, specifically, maintain the stable

performance of public finance, spend funds in a frugal manner and ensure the basic livelihood of people, basic payment of government employees' salary and basic operation of government agencies.

2. Finance Bureau of Linyi City in Shandong Province actively accelerated the implementation of the tax and fee reduction

According to the news released by the Finance Department of Shandong Province on May 6, the Finance Bureau of Linyi City has accelerated the implementation of the tax and fee reduction. First, comprehensively strengthen organization and leadership. Understand the political importance of the work of tax and fee reduction and promptly set up a leading group for tax and fee reduction comprised of the top officials of finance and tax authorities. Second, improve the mechanisms to ensure the orderly operation and smooth coordination of the work. Third, step up publicity and explanation. Improve the policy level and operational capabilities of tax personnel, especially front-office service personnel, while promoting the model of "online publicity + offline counseling". Fourth, optimize services, continue to improve tax convenience, and effectively improve taxpayers' satisfaction. Fifth, conduct strict inspection to ensure effective policy implementation. Enforce

strict discipline and ensure that the policy benefits are brought to every taxpayer with the highest standards, the most stringent measures and the greatest efforts.

3. Finance authorities of Inner Mongolia Autonomous Region worked on three aspects to improve business environment

According to the news released by the Finance Department of Inner Mongolia Autonomous Region, the Finance Bureau of Baotou City has worked on three aspects to improve the business environment. First, continue to build a zero-errand procurement platform, actively promote the reform of the treasury electronic payment, and give play to the management function of government investment project pipeline. Second, actively foster and optimize the business environment. Third, promote the "Internet+" model to serve the private economy. Continue to promote government procurement reform and innovation, leverage Internet technology and developed regions' experience in the big data of public finance, enable the big data of Baotou's public finance to serve more users with more content and wider scope while enhancing the ability of Baotou's electronic procurement to provide precision services and management for the private

sector, thus make greater contribution to Baotou's economic development, social services and fiscal management.

4. Finance and tax authorities of Quanzhou City, Fujian Province enhanced synergy to develop innovative way of reducing taxes and fees

According to the news released by the Finance Department of Fujian Province on May 13, the finance and tax authorities of Quanzhou City have enhanced synergy to develop innovative way of reducing taxes and fees. First, make in-depth study and implement the requirements of the Party Central Committee and the State Council on tax and fee cut, make tax and fee cut the central task of this year's fiscal and tax work, and integrate tax and fee cut with comprehensive and strict Party governance, implementation of priority work and enhanced supervision and accountability. Second, the finance and tax authorities, together with nine government agencies including the commission for discipline inspection, the medical insurance bureau and the federation of industry and commerce, signed a cooperation agreement to establish a joint conference mechanism and a joint emergency response mechanism for implementing the tax and fee cut. Third, create the province's first publicity

service center for tax and fee cut, allow the finance and tax authorities to interpret and explain the tax and fee cut policy, and hold the knowledge contest on tax and fee cut policy in the city.

5. Finance Department of Yunnan Province issued the *Opinions on the Full Implementation of Budget Performance Management*

According to the news released by the Finance Department of Yunnan Province on May 14, the CPC Provincial Committee of Yunnan and the Yunnan Provincial People's Government have recently issued the *Opinions on the Full Implementation of Budget Performance Management*, which provided the following. First, establish the awareness about budget performance management and create a comprehensive budget performance management structure and full-process budget performance management chain. Second, improve the management process covering performance pre-assessment, performance target management, performance monitoring, performance evaluation management and application of assessment results, and formulate the system and implementation rules for budget performance management. Third, build a comprehensive process for budget performance management and implement the same platform and

standard for budget management and performance management. Fourth, clarify that the governments at all levels and all departments of the province are responsible for the budget performance management, and implement the lifelong accountability system for the responsible persons of major projects.

6. Finance Department of Shanxi Province vigorously strengthened the fostering of accounting talents

According to the news released by the Finance Department of Shanxi Province on May 20, the Finance Department of Shanxi Province has comprehensively improved the accounting talent training mechanism. First, increase the training of accounting personnel in administrative institutions, with a focus on strengthening the training of professional ethics, laws and regulations, in order to effectively improve the overall quality of accounting personnel. Second, carry out the assessment of the professional competence of accounting officials in the province in accordance with the requirements of the Shanxi Provincial Party Committee on the “three basic development”. Third, develop detailed training programs, adhere to the goal-oriented and problem-oriented principle, and focus on improving the risk prevention and control capabilities, legal awareness

and professional ethics of accounting personnel. Fourth, conduct sound accounting qualification exam and professional title review to ensure the quality of accounting personnel. Fifth, leverage information technology to establish the Shanxi Provincial Accounting Management Information System in order to systematically manage the archives of the province’s accounting personnel and information of continuing education. Sixth, promote the development of high-end accounting talents to build a pool of professional talents.

7. Finance Department of Xinjiang Uygur Autonomous Region actively arranged the budget to support the implementation of the tax and fee cut policy

According to the news released by the Finance Department of Xinjiang Uygur Autonomous Region on May 22, the Finance Department of Xinjiang Uygur Autonomous Region has actively arranged the budget to support the implementation of the tax and fee cut policy. First, increase the mobilization of funds from the budget stabilization fund and transfer the income and balance of the government-managed fund to the general public budget, in order to make up for the shortfall of revenue caused by the implementation of the tax and fee cut policy; collect the non-tax revenue

strictly in accordance with regulations; and make efforts to revitalize the stock of funds. Second, exercise economy and strengthen the management of the “three public expenses”; strictly implement the budget approved by the people’s congress; and strive to maintain a balanced budget. Third, strictly implement the plan of the central government and the autonomous region on the “three guarantees”; take into account the fall of revenues caused by the tax and fee cut and coordinate the financial resources of the central government and the autonomous region; further improve the public finance monitoring mechanism, dynamically monitor local fiscal revenues, key expenditures, available financial resources and scale of treasury funds, and pay close attention to the impact of tax and fee cut on the fiscal performance of the grass-root government.

8. Finance Bureau of Anyang City in Henan Province took five measures to further strengthen budget execution management

According to the news released by the Finance Department of Henan Province on May 27, the Finance Bureau of Anyang City in Henan Province, having effectively implemented tax and fee cut, further strengthened budget execution management and promoted the stable fiscal performance of

Anyang. First, effectively implement the tax and fee cut policy. Strengthen political responsibility and work initiative of implementing tax and fee cut measures, build up reform synergy, and jointly work with taxation, human resource and other authorities to formulate specific implementation plans for tax and fee cut policy. Second, mobilize fiscal revenues according to laws and regulations. Properly handle the relationship between tax and fee cut and the mobilization of fiscal revenues, so that what needs to be cut is cut and what needs to be collected is collected. Third, vigorously promote comprehensive tax administration. Study and formulate the priorities and implementation plans for comprehensive tax administration, refine the division of responsibilities among departments, clarify the requirements of a deadline, and develop a working pattern of “coordinated leadership, division of labor and joint management”. Fourth, actively optimize the structure of fiscal expenditures. Stay mindful of the need for government to tighten its belt, and cut the general expenditures by no less than 5% except for the prioritized and mandatory expenditures. Fifth, further improve the efficiency of the use of fiscal funds. Strictly implement the evaluation system for budget implementation, track the progress and effectiveness of budget implementation at each budget department (unit), and strengthen the analysis of budget revenues and expenditures, treasury deposits, and carry-over balances.

9. Finance Department of Shanxi Province took a mix of measures to further accelerate the implementation of budgetary expenditures

According to the news released by the Finance Department of Shanxi Province on May 28, in order to further accelerate the implementation of budgetary expenditures, the Finance Department of Shanxi Province faced up to the difficulties and took targeted policy measures. First, make budget preparation more scientific and accurate. Require all departments to develop strong project pipelines before budget preparation, shorten the project preparation period, and reduce the cases of “money awaiting projects”. Second, release the city and county budgets in advance, approve the departmental budget as soon as possible, and clarify the time limit for expenditures. Third, step up the mobilization and use of funds. In 2019, the Finance Department of Shanxi Province will transfer the government-managed fund that meets the policy requirements to the general budget stabilization fund, and regularly clean up and recover project funds. Fourth, establish and improve the system of assessment, reward and punishment. Fifth, build a long-term mechanism to accelerate the progress of expenditures. The Finance Department of Shanxi is drafting the Measures for the Administration of Provincial-level Special Funds in Shanxi Province, which

provide detailed requirements on the establishment, adjustment, withdrawal, distribution, preparation and implementation of special funds.

V. Remarks & Opinions

1. Liu Kun: fiscal policy in 2019 will have greater intensity and effectiveness

On May 16, Finance Minister Liu Kun published an article to explain the fiscal policy with greater intensity and effectiveness. It is mentioned in the article that the fiscal policy in 2019 is still proactive, but the intensity and focus are different as the policy is of greater intensity and effectiveness compared with previous years. “Greater intensity” is mainly about stepping up tax and fee cut as well as expenditures, implementing larger-scale tax reduction, and promoting more notable reduction of fees to guide corporate expectations, enhance market confidence and better serve the real economy. “Greater effectiveness” is mainly about improving the efficiency and effectiveness of fund allocation, reviving the stock of funds, making good use of new funds, further optimizing the structure of fiscal expenditures,

supporting the fight of the three critical battles, technological innovation, supply-side structural reform, and work related to agriculture, rural areas and farmers, improving people's livelihood, and raising the performance of fiscal expenditures. The article is comprised of six parts. First, why is it necessary to work harder to implement a proactive fiscal policy with greater intensity and effectiveness. Second, what benefits are delivered by tax and fee cut. Third, the role of public finance in supporting the fight of the three critical battles. Fourth, strong financial backing for supply-side structural reforms. Fifth, the fiscal measures in promoting the formation of a strong domestic market. Sixth, the focus of fiscal policy on safeguarding and improving people's livelihood.

2. Liu Shangxi: cut taxes and fees to achieve the policy goal of stabilizing expectations

Liu Shangxi, President of the China Academy of Fiscal Sciences, recently said that tax and fee cut is an important part of the proactive fiscal policy. The focus of this round of tax and fee cut has shifted from tax base to tax rate and is organically meshed with tax reforms, which will help stabilize the expectations of micro entities. From a global perspective, especially in light of China's situation, the current risks are mainly

brought about by structural shift and the dynamics of this structural shift largely spring from the vitality of micro entities. However, in the process of this structural shift, the micro entities are faced with various uncertainties, which may lead to the unstable expectation of micro entities about the future. Therefore, keeping expectations stable is the key. How tax and fee cut, as a major move of the proactive fiscal policy, works to promote the stable expectation of micro entities is both a theoretical question and a policy question. At present, micro entities are faced with various risks and these risks cannot be pre-dissolved, which is leading to the unstable expectation. In this case, it is necessary to enforce the tax and fee cut that can stabilize expectations in order to change the state and hedge against uncertainties. The tax and fee cut that can stabilize expectations will expand domestic demand and reduce costs. Therefore, for the sake of stabilizing expectations, the shift of tax cut from tax base to tax rate is the right choice. Tax and fee cut should take into account policies, tax system, collection and administration system, social security system and payment system to form an integrated and comprehensive solution. Only in this way can we help shape the correct expectation of tax and fee cut, and avoid the misconception and misunderstanding of the market.

3. Jia Kang: China's tax and fee cut should be advanced with the support of tax reforms

Jia Kang, Chief Economist of China Academy of New Supply-side Economics, recently said that China's tax and fee cut, combined with the supporting tax reforms, is not only a matter of reducing the burden of taxpayers, but also need to consider tax structure optimization and formation of a reasonable reform plan in increasing the proportion of direct tax. After years of efforts to reduce taxes, China should further the space for possible tax cut, move forward the supporting tax reforms, and continue to optimize the tax reduction effects and arrangements. In terms of turnover tax, in addition to reducing the VAT burden and refining the implementation rules after the VAT reform, the reform of consumption tax, which is a local source of tax, has become an important task that must

be considered in actively constructing a local tax system. In terms of personal income tax, we should consider expanding the coverage to some non-labor income in the next round of tax reform, and actively consider lowering the highest marginal tax rate. In terms of the reform of resource tax, we must actively summarize the management experience of environmental tax, further refine the operational mechanism of environmental tax, and take other relevant measures into account, in order to give better play to the role of environmental tax in promoting the rational development and intensive use of natural resources. In the design of the specific reform plan of property tax, we must have enough patience and ensure full public participation, so that the tax can better adapt to China's national circumstances and specific conditions at this stage. After the framework is established, it can be gradually refined and improved in the future.

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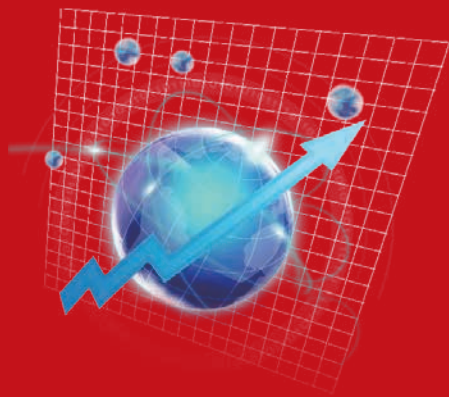
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