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HIGHLIGHTS

- Finance Minister Liu Kun: report on the central government final accounts for the year of 2018
- Finance Minister Liu Kun and Vice Minister Zou Jiayi attended the Joint Meeting of G20 Finance Ministers and Health Ministers during the Osaka Summit in Japan
- MOF and NDRC jointly published a circular on exempting the governmental funds and administrative fees for relocation for poverty alleviation
- Five ministries jointly published a circular on the implementation of the pilot city program for leveraging public finance in support of the comprehensive reform of financial services for private sector and small and micro-sized enterprises
- China's GDP grew by 6.3% year on year in the first half of the year

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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Website:<http://iefi.mof.gov.cn>

Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
ASEAN+3	Association of Southeast Asian Nations, China, Korea and Japan
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAC	Cyberspace Administration of China
CBIRC	China Banking and Insurance Regulatory Commission
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
FDA	Food and Drug Administration
GAC	General Administration of Customs
GDP	Gross Domestic Product
IEFI	International Economics and Finance Institute
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
LICs	low income countries
MCA	Ministry of Civil Affairs
MCT	Ministry of Culture and Tourism
MIIT	Ministry of Industry and Information Technology
MNR	Ministry of Natural Resources
MOA	Ministry of Agriculture and Rural Affairs

MOFCOM	Ministry of Commerce
MOE	Ministry of Education
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
MVA	Ministry of Veteran Affairs
MWR	Ministry of Water Resource
NBS	National Bureau of Statistics
NDB	New Development Bank
NDRC	National Development and Reform Commission
NEA	National Energy Administration
NFSRA	National Food and Strategic Reserves Administration
NHSA	National Healthcare Security Administration
NMPA	National Medical Products Administration
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
SAMR	State Administration of Market Regulation
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, the SAMR and the NMPA jointly published a circular on the release of 2019 budget of subsidies for food and drug supervision

On June 28, MOF, the SAMR and the NMPA jointly published a circular on the release of 2019 budget of subsidies for food and drug supervision, which provided the following. First, according to the *2019 Government Revenue and Expenditure Classification*, the relevant departments should include the subsidy funds under “201 General Public Service Expenditure” of 2019 government revenue and expenditure classification. Second, in order to improve the efficiency of fund use, local finance authorities at all levels should, in conjunction with market regulation and medical products regulatory authorities, consider local circumstances and make coordinated arrangement of central and local fiscal subsidies, with a focus on supporting food and drug supervision and management as well as related capacity building. At the same time, it is necessary to strengthen the management of subsidy funds and improve the

efficiency of the use of subsidy funds. Third, in order to further strengthen the budget performance management, it is important to effectively improve the efficiency of the use of fiscal funds and ensure that the annual performance targets are achieved on schedule. The market regulation and medical products regulatory authorities of all provinces, autonomous regions and municipalities are responsible for assessing the completion of performance targets in their jurisdiction. The State Administration of Market Regulation and the National Medical Products Administration will then examine the assessment results.

2. MOF and the SAT jointly published a circular on the continued implementation of the preferential vehicle purchase tax policies

On June 28, MOF and the SAT jointly published a circular on the continued implementation of the preferential vehicle purchase tax policies, which provided the following. First, the purchase of one domestically produced car for self-use by students returned from studying abroad with foreign currency and the import of one car by foreign experts with long residence in China is exempted from vehicle purchase tax. The designated model of vehicles with fixed device produced by the designated manufacturer and used by flood control authorities and forest fire control authorities to

command, inspect, dispatch, report (alert) and contact are exempted from vehicle purchase tax. Second, from January 1, 2018 to December 31, 2020, the purchase of new energy vehicles is exempted from vehicle purchase tax. Third, from July 1, 2018 to June 30, 2021, the vehicle purchase tax will be halved for the purchase of trailers. Fourth, mobile medical vehicles of the “Mother Health Express” project of China Women Development Foundation are exempted from vehicle purchase tax. Fifth, the newly purchased vehicles of the Beijing 2022 Winter Olympics and Winter Paralympics Games Organizing Committee are exempted from vehicle purchase tax. Sixth, the vehicles with local motor vehicle license plates but previously used by public security forces and armed police gold, forest and hydropower units (except for the vehicles used by public security fire units and armed police forest units to carry out fire fighting and rescue mission) are offered one-time exemption from vehicle purchase tax.

3. MOF published a circular on the issuance of the Measures for the Administration of Subsidy Funds for Urban Pipe Network and Sewage Treatment

On July 2, MOF published a circular on the issuance of the Measures for the Administration of Subsidy Funds for Urban Pipe Network and

Sewage Treatment, which provided the following. In order to regulate and strengthen the management of subsidy funds for urban pipe network and sewage treatment and improve the efficiency of the use of fiscal funds, these measures are formulated. The subsidy funds for urban pipe network and sewage treatment referred to in these Measures are the transfer payment funds arranged by the central finance authorities to support the construction of urban pipe network, intensive use of urban underground space, construction of urban sewage treatment facilities, urban drainage and flood control, and water ecological restoration. The subsidy funds are earmarked for special purposes and managed separately, under the administration of MOF and the Ministry of Housing and Urban-Rural Development. MOF is responsible for formulating the expenditure standards and allocation factors of subsidy funds. According to the funding arrangements proposed by the Ministry of Housing and Urban-Rural Development, MOF determines the annual scale and allocation plan of subsidy funds, allocate the funds, organizes budget performance management, and guides local efforts to strengthen fund management. The Ministry of Housing and Urban-Rural Development is responsible for formulating relevant program or implementation plan, proposing funding arrangements, and guiding and supervising local implementation.

4. MOF and five other ministries jointly published an announcement on the preferential tax policies for community and family-based services such as elderly care, childcare, and domestic services

On July 4, MOF, SAT, NDRC, MCA, MOFCOM, NHC jointly published an announcement on the preferential tax policies for community and family-based services such as elderly care, childcare and, domestic services, which provided the following. First, institutions that provide elderly care, childcare, and domestic services for community shall enjoy preferential tax and fee policies. Second, the housing property and land owned or acquired through lease by institutions to provide elderly care, childcare, and domestic services are exempted from property tax and urban land use tax. Third, the community mentioned in this announcement refers to the social life community composed of people living in a certain geographical area, including urban communities and rural communities. Fourth, income from the provision of domestic services by eligible domestic service companies is exempted from VAT. Fifth, the finance and tax collection authorities may establish information sharing and work coordination mechanisms with civil affairs, health, and commerce authorities according to their working needs. Civil affairs, health and commerce authorities should actively cooperate to ensure that

preferential policies are well implemented. Sixth, this announcement will be implemented from June 1, 2019 to December 31, 2025.

5. MOF and four other ministries jointly published a circular on the issuance of the Interim Measures for the Administration of Duty-Free Shops at Departure Ports

On July 4, MOF, MOFCOM, MCT, GAC, SAT jointly published a circular on the issuance of the Interim Measures for the Administration of Duty-Free Shops at Departure Ports, which provided the following. In order to regulate the management of duty-free shops at departure ports and promote the healthy and orderly development of duty-free shops at departure ports, the Measures is formulated in accordance with relevant laws and regulations and the policy of duty-free shops at departure ports in China. The Measures also apply to the establishment application, approval, bidding, operation, supervision and other matters related to the departure duty-free shops within the borders of the People's Republic of China. The sales target of duty-free goods is passengers who have already completed the departure procedures and are about to board plane, ship and bus to the overseas territory and passengers in outbound transportation vehicles. The state implements franchise operation for duty-free shops at departure ports. The state plans

the overall layout and construction of duty-free shops. The location of duty-free shops should be determined on the basis of the flow of inbound and outbound passengers, taking into account regional distributional factors and meeting the requirements of resource conservation, environmental protection, orderly competition, avoidance of waste and convenience for supervision.

6. MOF and MOE jointly published a circular on adjusting the scholarship and financial aid policy for vocational colleges

On July 5, MOF and MOE jointly published a circular on adjusting the scholarship and financial aid policy for vocational colleges, which provided the following. First, expand the coverage of scholarships and financial aids for higher vocational colleges and raise the subsidy standard. The number of national scholarships in higher vocational colleges will be raised. Starting in 2019, the number of national scholarship awards for undergraduate students will be increased from 50,000 to 60,000. The increased scholarship will all be awarded to the outstanding full-time higher vocational college students, with 8,000 RMB per student per year. The coverage of National Encouragement Scholarships in higher vocational colleges will also be expanded. Starting in 2019, the coverage of national encouragement

scholarship for higher vocational college students will be increased by 10%, or from 3% to 3.3%, and the reward standard will be 5,000 RMB per student per year. The coverage of national financial aid for students in higher vocational colleges will be expanded and the subsidy standards will be raised. Starting from the spring semester of 2019, the coverage of national financial aids for students in higher vocational colleges will be increased by 10%, and the average subsidy standard will be raised from 3,000 RMB per year to 3,300 RMB. The average subsidy of financial aids for general undergraduate students will be increased from 3,000 RMB to 3,300 RMB per student per year. Second, establish a national scholarship for secondary vocational education. Starting in 2019, a national scholarship for secondary vocational education will be established to reward the outstanding full-time students in secondary vocational schools (including technical schools). Each year, 20,000 people will be awarded the scholarship, with 6,000 RMB per student per year. Third, effectively strengthen the implementation. All relevant departments and schools must conscientiously understand the spirit of the policy and improve implementation so that more students can enjoy greater state financial support, with the priority being given to students from families with financial difficulties. It is also important to coordinate the central government's transfer payment funds with local funds, and urge relevant departments and schools at the sub-provincial

levels to improve the awarding of scholarships and provision of financial aids for the spring semester of 2019.

7. MOF and NDRC jointly published a circular on exempting the governmental funds and administrative fees for relocation for poverty alleviation

On July 5, MOF and NDRC jointly published a circular on exempting the governmental funds and administrative fees for relocation for poverty alleviation, which provided the following. First, exempt urban infrastructure supporting fees and real estate registration fees for relocation for poverty alleviation. Exempt the air defense basement construction fees for the relocation projects with the purpose of poverty alleviation if geological conditions do not allow for the construction of air defense basement. Second, the information of relocation projects, project implementing agencies, population to be relocated and resettlement housing will be determined by the competent departments of the relocation work. Third, if resettlement housing is constructed in the development of commercial housing, the governmental funds and administrative fees due to be exempted will be calculated according to the proportion of the floor area of the resettlement housing to the total floor area. Fourth, after the exemption of the above-mentioned governmental funds and administrative

fees, the funding required for the performance of managerial duties by relevant departments and units shall be financed by the government budget at the same level. Fifth, this circular will be effective from July 1, 2019. The governments of all provinces, autonomous regions, and municipalities may use this circular as a reference for the relocation projects implemented during the period from January 1, 2016 to June 30, 2019.

8. MOF and the SAT jointly published a circular on the tax policies of some national reserve commodities

On July 5, MOF and SAT jointly published a circular on the tax policies of some national reserve commodities, which provided the following. First, the commodity reserve management companies and their financial account books are exempted from stamp duties; the purchase and sales contract entered into during the commodity reserve business process is exempted from stamp duties, and the stamp duties payable by other parties to the contract should be levied according to the regulations. Second, the real estate and land used for the commodity reserve business by the commodity reserve management companies and their directly affiliated warehouses are exempted from property tax and urban land use tax. Third, the commodity reserve management companies and their directly affiliated warehouses mentioned in

this announcement refer to the commodity reserve enterprises that take up the task of stockpiling five commodities of grain (including soybean), edible oil, cotton, sugar and meat, with authorization from the relevant government departments above the county level and government funding or subsidies for reserve. Fourth, the authorized commodity reserve management companies and their directly affiliated warehouses include the China Grain Reserves Group Co., Ltd. and its subsidiaries as well as the China Merchandise Reserve Management Center Co., Ltd. and National Sugar Reserve and National Meat Reserve. Fifth, the enterprises enjoying the tax exemption policy stipulated in this announcement shall apply for tax exemption in accordance with the regulations, and keep the information such as the certificate of the property right, the original value of the real estate, the business of the commodity reserve, and the reserve construction plan for future reference. Sixth, the implementation time of this announcement is from January 1, 2019 to December 31, 2021. The taxes that should have been exempted but paid after January 1, 2019 may be deducted from the payable taxes of the enterprise or be refunded.

9. MOF published a circular on carrying out the pilot program of providing central rewards and subsidies for the promotion of insurance for agricultural

products with special local advantages

On July 5, MOF published a circular on carrying out the pilot program of providing central rewards and subsidies for the promotion of insurance for agricultural products with special local advantages, which provided the following. First, on the basis of independent operation and voluntary application, the central government will provide rewards and subsidies that are equivalent to a certain proportion of insurance premiums for the eligible insurance of agricultural products with special local advantages conducive to the development of small-scale farmers and new agri-business operations. Second, the reward and subsidy policy adheres to the principle of “local responsibility, incentive orientation, poverty reduction and step-by-step implementation”. The central rewards and subsidies will reflect regional differences, encourage local governments to give priority support to poor areas, and gradually expand the scope of implementation on the basis of piloting experience. Third, the insurance products applying for the rewards and subsidies should be no more than two in number, and meet the relevant conditions. Fourth, for the insurance premiums included in the pilot scope, on top of the at least 35% of the provincial and sub-provincial fiscal subsidies, the central government will subsidize 30% of the premium of the central and western regions and 25% of the premium of the eastern regions. Fifth, the application report for the 2019 rewards and subsidies should be

submitted to MOF before June 30, 2019. Sixth, in conjunction with the relevant departments and in accordance with the provisions of this circular, MOF will timely adjust and improve the agricultural insurance policy, formulate detailed implementation rules for the pilot program, clarify the types of eligible insurance products, and do a good job in harmonizing with other agricultural insurance premium subsidy policies. Seventh, this circular is effective since January 1, 2019, and the pilot period is tentatively scheduled for one year.

10. MOA and MOF jointly published a circular on supporting the cultivation of new agricultural business entities

On July 9, the MOA and MOF jointly published a circular on supporting the cultivation of new agricultural business entities, which provided the following. First, significance. Accelerating the cultivation of new agricultural business entities is of great significance for promoting agricultural supply-side structural reform, guiding the moderate-scale operation of agriculture, boosting farmers' employment and income, and enhancing the momentum of agricultural and rural development. Second, overall requirements. Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the new agricultural business entities will be encouraged to enhance key development capabilities, stimulate

internal vitality, and better play a leading role in driving small farmers to enter the market for higher income and building modern agriculture. Third, supportive measures. Support the initial processing of agricultural products, improve the quality and safety of products, and strengthen the branding of high-quality specialty products. Fourth, recipients of support and the approach of support. With the farmers' cooperatives, family farms, and agricultural industrialization complexes as the recipients of support, localities may consider local conditions and use the moderate-scale operating funds in the central agricultural production development funds and their own financial resources to provide support. Fifth, safeguard measures. Strengthen policy organization and leadership, improve the mechanism of interest linkage, innovate fund supervision approaches, and increase publicity and guidance.

11. MOF and the MWR jointly published the Measures for the Administration of Water Resource Development Funds

On July 10, MOF and the MWR jointly published the Measures for the Administration of Water Resources Development Funds, which provided the following. To strengthen the management of water resource development funds, improve the rule-based, safe and effective use of funds, and promote the reform and development of water resources,

these Measures are formulated in accordance with relevant laws and regulations. The water resource development funds mentioned in these Measures refer to the central government transfer payment funds used to support water resource development and reform. These Measures are applicable to the allocation, use, management and supervision of water resource development funds. The water resource development fund policy will be implemented until 2023. Before the expiration, MOF and the Ministry of Water Resources will assess whether to continue the implementation and extend the time limit. Before the preparation of the annual budget or during budget execution, MOF and the Ministry of Water Resources will carry out relevant assessment according to the policy implementation and the needs of the work, and improve the fund management policy on the basis of the assessment results. The water resource development fund is managed by MOF and the Ministry of Water Resources. The management follows the principles of scientific norms, openness and transparency, overall consideration, highlighted key points, performance management, and strengthened supervision.

12. MOF and MOA jointly published a circular on the issuance of the Interim Measures for the Disposal of Property Formed through the Acceptance of Direct State Fiscal Subsidy during the

Dissolution and Liquidation of Farmers' Professional Cooperatives

On July 12, MOF and MOA jointly published a circular on the issuance of the Interim Measures for the Disposal of Property Formed through the Acceptance of Direct State Fiscal Subsidy during the Dissolution and Liquidation of Farmers' Professional Cooperatives, which provided the following. To support the healthy development of farmers' professional cooperatives and regulate their dissolution and liquidation, these Measures are formulated. These Measures are applicable to the disposal of property formed through the acceptance of direct state fiscal subsidy during the dissolution and liquidation of farmers' professional cooperatives. During the dissolution and liquidation of farmers' professional cooperatives, if there is surplus property after paying off the debt, the liquidation group shall calculate the total amount of property formed through the acceptance of direct state fiscal subsidy. Where such property is to be transferred, the liquidation group shall show the transfer situation in the liquidation plan, report the liquidation plan to the county-level agricultural department and the finance department for the record, and at the same time, prepare for the handover of the relevant financial accounts and original documents. The relevant government departments at or above the county level that are responsible for subsidizing and allocating funds for farmers' professional cooperatives shall,

according to their duties, strengthen the guidance and supervision of the disposal of property formed through the acceptance of direct state fiscal subsidy.

13. MOF published a circular on the release of the special subsidy fund budget for the local development of the national film industry in 2019

On July 12, MOF published a circular on the release of the special subsidy fund budget for the local development of the national film industry in 2019, which provided the following. In order to support the development of the film industry, MOF issued a circular requiring the improvement of work related to budget preparation and fund arrangement. First, guide cinemas to screen domestic films. In accordance with the “Double Hundred” policy, cinemas will be guided to screen domestically produced films with cultural characteristics and artistic innovation, in order to boost the development of the film market and to strive for 55% of the share of the total box office for domestic films. Second, support pilot projects in the county and township cinemas in the central and western regions, develop the film market in a balanced manner, promote the sustainable development of the film industry, and complete the construction of 707 cinemas. Third, improve the ethnic-minority-language translation capacity

of films, and complete the translation of 885 films into ethnic minority languages in this year.

14. MOF, the Government Offices Administration of the State Council, and the CPC Offices Administration published a circular on regulating the collection and payment of travel and meal expenses and intra-city transportation expenses

On July 18, MOF, the Government Offices Administration of the State Council, and the CPC Offices Administration published a circular on regulating the collection and payment of travel and meal expenses and intra-city transportation expenses, which provided the following. First, the central department officials who are on business trips shall receive meal stipends according to regulations. Except for the one working meal that needs to be provided by the reception unit, the other meal expenses shall be paid by the travelling officials themselves. Second, employees who are on business trips shall receive intra-city transportation stipends according to regulations. If the reception unit that assists in providing transportation has charging standard, the traveling officials shall pay according to the standard, and the ceiling shall not exceed the daily transportation expense standard; if there is no charging standard, each person shall pay 50% of the daily transportation expense standard

every half day. Third, if the reception unit assists in arranging meals and providing transportation, the travelling officials should ask for receipts or tax invoices which are kept for future reference and would not serve as the basis for reimbursement. Fourth, the reception unit should collect the relevant fees of the travelling officials according to the regulations, and provide receipts or tax invoices in a timely manner. Fifth, all departments in various regions should urge the reception units to further improve the internal management system and reasonably set the charging standards in accordance with the Eight-point regulations and relevant provisions of the official hospitality arrangement of Party and government organs. Sixth, all localities should, in light of the local conditions, formulate regulations governing the meal and intra-city transportation expenses of travelling officials. The central departments may, in accordance with the requirements of this circular, formulate their own specific operational regulations for the payment and reimbursement of meal and intra-city transportation expenses. Seventh, this circular will come into force on August 1, 2019.

15. MOF, SAT and CSRC jointly published an announcement on the continuous implementation of differentiated personal income tax policy for dividends from companies listed on the National Equities

Exchange and Quotation (NEEQ)

On July 19, MOF, SAT and CSRC jointly published an announcement on the continuous implementation of differentiated personal income tax policy for dividends from companies listed on the NEEQ, which provided the following. First, individuals who hold shares of listed companies for more than one year are allowed temporary exemption of personal income tax for their dividend income. Second, when listed company distributes dividends, if individuals hold shares for less than one year since the equity registration closing date and have not transferred the shares, the company shall not withhold the personal income tax; when individuals transfer the shares, the securities registration and settlement company shall calculate the amount of payable tax according to the shareholding period. Third, when individuals transfer shares, the shareholding period shall be calculated according to the principle of first-in-first-out, i.e., the shares first obtained in the securities account will be regarded as the first transfer. Fourth, the dividend income obtained by securities investment fund from listed companies shall be subject to personal income tax in accordance with the provisions of this announcement. Fifth, the shares held by individuals in listed companies as mentioned in this announcement include the shares obtained before the listing on the NEEQ, the shares obtained through the transfer on the NEEQ, and the shares obtained through judicial

seizure. Sixth, the transfer of shares referred to in this announcement applies to the transfer of shares through the NEEQ and the judicial seizure of shares. Seventh, the dividend income obtained by individuals and securities investment fund from the NEEQ-listed companies previously listed on the STAQ and the NET and the NEEQ-delisted companies will be subject to personal income tax in accordance with this announcement. Eighth, the term “year” in this announcement refers to the natural year, i.e., the one-year holding means the continuous shareholding from the certain month of the last year to the previous date of the same day of the same month of the current year. Ninth, finance, taxation, securities supervision and other departments should strengthen coordination, work together, and do a good job in all aspects of policy implementation. Tenth, this announcement will be implemented from July 1, 2019 to June 30, 2024. The dividend income of listed companies, two-net companies, and delisted companies that distribute dividends, with the stock registration date being from July 1, 2019 to June 20, 2024, shall be governed by the provisions of this announcement. Eleventh, the Circular of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Matters Related to the Implementation of Differentiated Personal Income Tax Policy for Dividends from Companies Listed on the National Equities Exchange and Quotation and the Fourth Article of the Circular of the Ministry of Finance, the

State Administration of Taxation, and the China Securities Regulatory Commission on Matters Related to the Differentiated Personal Income Tax Policy for Dividends from Listed Companies are abolished.

16. MOF published a circular on the issuance of the No. 1 Interpretation of the Government Accounting Standards System

On July 23, MOF published a circular on the issuance of the No. 1 Interpretation of the Government Accounting Standards System, which provided the following. This circular is formulated to further improve the government accounting standards system and ensure the effective implementation of the government accounting standards system. First, the implementation of the accounting system of the government-sponsored institutions in enterprise group. Government-sponsored institutions that are included in the scope of departmental budget preparation in an enterprise group shall conduct accounting in accordance with the government accounting standards system. Second, the accounting treatment of long-term equity investment in government-sponsored institutions. The government-sponsored institutions shall adopt the equity method to account for long-term equity investment. During the period

of holding the investment, it should be based on the net profit attributable to the parent company and the changes in other owners' equity in the consolidated financial statements of the invested entity. Third, the accounting treatment of the temporarily collected non-fiscal funds at the end of the year. Before the end of the year, departments should thoroughly clean up the temporary funds, confirm the relevant budget revenue and expenditure, and ensure that the budget accounting information can fully reflect the implementation of the department's budget revenue and expenditure for the current year. Fourth, the accounting treatment of fixed assets that are centrally managed by relevant departments but are held and used by other departments. The department that holds and uses the asset should be the accounting recognition entity and should conduct accounting for the asset. Fifth, the financial treatment of the department's free transfer of assets. If the book value of the transferred assets is zero on the transferor's book or if the book balance is nominal, the department shall include the relevant taxes and expenses incurred by it in the transfer process into the current expenses, and shall not include them in the initial cost of the transferred assets. Sixth, the accounting scope of the "business activity expenses" and "department management expenses". According to the regulations, administrative departments shall not use the "department management expenses", and all their expenses incurred to fulfill functional objectives and perform

duties shall be included in the "business activity expenses". Seventh, the scope of accounting for "subsidized housing". The subsidized housing here mainly refers to the housing that is fully or partially owned by the local government housing security department, included in the urban housing security plan and annual plan, and provided to eligible recipients. Eighth, the application of accounting subjects for the funds of third-party payment platform accounts. The balances of third-party payment platform accounts such as Alipay and WeChat Pay that have not been transferred to bank deposits should be accounted for under the "Other Money Funds". Ninth, the disclosure of detailed information about the subject and income as well as expense subjects. On the basis of detailed accounting of the debtor's corresponding receivables, the department shall disclose the receivables according to the debtor's classification in the notes to the financial statements. Tenth, the accounting treatment of the house sales income. The central administrative departments shall, starting from January 1, 2019, including the house sales income and its interest income attributable to the department in the departmental budget management. Eleventh, the accounting treatment of the special maintenance funds for houses centrally managed by the department. The department shall conduct accounting treatment of the special maintenance funds for the houses centrally managed by it, in accordance with the provisions related to the accounting of house sales income

in this Interpretation. Twelfth, this Interpretation takes effect on January 1, 2019.

17. MOF published a circular on the issuance of the Measures for the Accountability of Finance Departments in the Mismanagement of Poverty Alleviation Funds

On July 24, MOF published a circular on the issuance of the Measures for the Accountability of Finance Departments in the Mismanagement of Poverty Alleviation Funds, which provided the following. These Measures are formulated to further strengthen and standardize the management of finance departments' poverty alleviation funds, ensure the safety of funds, and improve the efficiency of capital use. First, the general rule. These measures are applicable to all levels of finance departments and their staff that should be held accountable for mismanaging poverty alleviation funds in violation of regulations. Second, the cases and forms of accountability. The forms of accountability to the finance department include: make rectification, adjust relevant accounting records, recover relevant poverty alleviation funds, return illegal income within a time limit, and give warnings to or make public censure of the agency. Third, the transfer procedure. Where the finance department at the same level has no right to deal with the persons

who should be held accountable according to the law, the case shall be transferred to the competent department for handling. Fourth, the supplementary rule. Local finance departments at all levels may, in light of the local conditions, formulate specific implementing measures. These Measures shall be implemented 30 days after the date of promulgation.

18. The CAC, NDRC, MIIT and MOF jointly published the Announcement on Measures for Cloud Computing Service Security Assessment

On July 24, CAC, NDRC, MIIT and MOF jointly published the Announcement on Measures for Cloud Computing Service Security Assessment, which provided the following. To improve the security of cloud computing services purchased and used by Party and government agencies as well as key information infrastructure operators, these Measures are formulated. The cloud computing service security assessment combines ex-ante assessment with continuous supervision to ensure the security of the application. In accordance with relevant laws, regulations and policies, and with reference to relevant national network security standards, the assessment leverages the role of professional technical institutions and experts, carries out objective evaluation and strict supervision of the security and controllability

of the cloud computing service platforms, and provides a reference for Party and government agencies and key information infrastructure operators when they purchase cloud computing services. The Cyberspace Administration of China, along with the National Development and Reform Commission, the Ministry of Industry and Information Technology, and MOF established a coordination mechanism for cloud computing service security assessment, in order to review the policy documents related to cloud computing service security assessment, approve the cloud computing service security assessment results, and coordinate the handling of important matters about cloud computing service security assessment.

19. MOF published a circular on the release of the 2019 budget for the central natural disaster relief funds

On July 24, MOF published a circular on the release of the 2019 budget for the central natural disaster relief funds, which provided the following. According to the relevant stipulations of the central fiscal subsidy policy for geological disaster relief, 30 million RMB of the budget for the central natural disaster relief funds is now released to support Guizhou Province in dealing with the landslide relief of Shuicheng Mountain in Liupanshui City. The income from the funds is included in the “1100260 other transfer payment

income from common fiscal mandates” of 2019 government revenue and expenditure classification, and the expenditure of the funds is included in the “224 disaster prevention and emergency management expenditure” of 2019 government revenue and expenditure classification. The above-mentioned funds are pre-allocated funds. MOF will carry out the settlement on the basis of the subsequently verified disaster situation, and the relevant requirements for performance evaluation will be notified separately when it comes to settlement. Guizhou Province is required to strictly manage and use the subsidy funds in accordance with relevant regulations, and fully carry out search and rescue and disaster emergency response to ensure the safety of people’s lives and property.

20. MOF published a circular on the issuance of the Measures for the Administration of Central Special Lottery Public Welfare Funds for Supporting Local Public Welfare Undertakings

On July 29, MOF published a circular on the issuance of the Measures for the Administration of Central Special Lottery Public Welfare Funds for Supporting Local Public Welfare Undertakings, which provided the following. these Measures are formulated to regulate and strengthen the administration of central special lottery public

welfare funds to support local public welfare undertakings, and improve the effectiveness of the use of funds. The public welfare funds are included in the budget management of governmental funds. Funds for public welfare undertakings should tilt toward the public welfare projects that “shore up the weak links” as well as toward the industries faced with difficulties and disadvantaged groups of people, in order to support the weak areas in local public welfare undertakings. MOF is responsible for proposing to the State Council suggestions on the allocation of funds for local public welfare undertakings and compiling the annual budget for such funds based on the comments of the State Council. The provincial finance department may adopt factor method, project method, or a combination of the two, in proposing the fund allocation plan, in accordance with the transfer payment budget, the direction of use of funds and the principle of allocation determined by MOF and in line with the local reality of public welfare undertakings. The competent provincial departments for public welfare undertakings shall, in coordination with the finance department, manage the funds for public welfare undertakings, do a good job in organization and implementation, and strictly follow the approved budget.

21. Five ministries jointly published a circular on the implementation of the pilot city program for leveraging

public finance in support of the comprehensive reform of financial services for private sector and small and micro-sized enterprises

On July 29, MOF, MOST, MIIT, PBOC, CBIRC jointly published a circular on the implementation of the pilot city program for leveraging public finance in support of the comprehensive reform of financial services for private sector and small and micro-sized enterprises, which provided the following. First, follow the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, conscientiously implement the decisions of the Party Central Committee and the State Council on supporting the development of private sector and small and micro-sized enterprises, aim at promoting the high-quality development of financial services for private sector and small and micro-sized enterprises, leverage the role of public financial resources, and support local government in creating pilot cities for comprehensive reform of financial services in line with local conditions. Second, the basic principles are as follows: local ownership and central guidance; sound mechanism and market-oriented operation; innovation and experience accumulation; and performance-based reward and punishment. Third, starting from 2019, the central government will allocate around 2 billion RMB of funds through the special funds for financial inclusion to support a certain number

of pilot cities. The pilot cities should generally be the prefecture-level cities, districts and counties of provincial capital cities, and new national-level districts. For the provinces and autonomous regions with less than 10 prefecture-level jurisdictions as well as the 5 cities with independent planning status, 1 pilot city will be selected each year; for other provinces, autonomous regions and the 4 municipalities, two pilot cities will be selected each year. The work for performance target setting and evaluation of pilot cities will be shared by various authorities: the branch of the People's Bank of China and the banking and insurance regulatory authorities are responsible for the overall financial services in support of private sector and small and micro-sized enterprises and the indicators related to comprehensive financial services and innovation, while the specific measurement and scores are determined by both sides through consultation; the finance authorities and the local financial regulatory authorities are responsible for the indicators related to financing guarantee and risk compensation mechanism; the science and technology authorities and the industry and information technology authorities are responsible for the indicators related to local financial development; and the local regulatory authorities of MOF are responsible for the regulated use of the central fiscal incentive funds. These authorities should regularly hold joint meetings to strengthen communication and information sharing and build an effective and efficient working mechanism.

22. MOF published a circular on promoting fair competition in government procurement to optimize the business environment

On July 30, MOF published a circular on promoting fair competition in government procurement to optimize the business environment, which provided the following. First, comprehensively sort through the regulations and practices that hinder fair competition in the field of government procurement, and ensure the right of all market players to participate in government procurement activities on an equal footing. Second, strictly implement the fair competition review system. All regions and departments, when formulating government procurement rules involving market entities, shall strictly implement the fair competition review system, fully listen to the opinions of market players and relevant industry associations, evaluate the impact on market competition, and prevent the exclusion and restriction of market competition. Third, strengthen the management of government procurement. Optimize the procurement procedures, refine the implementation requirements of procurement activities, standardize the collection and refund of deposits, timely pay for procurement, and improve the indemnity and compensation mechanisms for suppliers. Fourth, accelerate the application of electronic government procurement, improve the online transaction function of

the e-government procurement platform, and expedite the implementation of the “Internet + government procurement” initiative. Fifth, further enhance the transparency of government procurement. Strengthen the transparency of government procurement and promote the disclosure of procurement intentions. Sixth, improve the government procurement challenging and complaining mechanism as well as the administrative ruling mechanism. Unblock the challenging and complaining channels for suppliers and enforce administrative penalties in accordance with the law.

23. Six ministries jointly published a circular on matters related to the central fiscal subsidy for the social insurance of some veterans

On July 31, MOF, MVA, MOHRSS, NHSA, MCA and SAT jointly published a circular on matters related to the central fiscal subsidy for the social insurance of some veterans, which provided the following. First, the scope of government subsidies. Veterans who have retired from active service through government arrangements and have not participated in the basic pension insurance and basic medical insurance schemes or have stopped premiums payment before the implementation of this Circular may make up for the premiums payment for no more than their years of military

service. Premiums for participation in the basic pension insurance and basic medical insurance scheme are to be shared by the military units and veterans. Second, the scope and standards of the central fiscal subsidies. For the government subsidy funds required for the military units’ payment for the veterans’ basic endowment insurance premiums, the central finance authorities will subsidize the major military provinces in central and western China, non-major military provinces in central and western China, major military provinces in eastern China and non-major military provinces in eastern China at a rate of 50%, 40%, 30% and 20% respectively. Third, the pre-allocation and settlement of central fiscal subsidy funds. The central fiscal subsidy funds are allocated first and settled later. Starting from 2019, the central government will allocate subsidy funds according to the progress of local work, and settle the remaining subsidy funds in 2022. Fourth, the management of the use of subsidies. The local finance departments shall make overall use of the subsidy funds arranged by the central and local governments, do a good job in making up for the payment of veterans’ basic pension insurance premiums, and effectively safeguard the rights of veterans in pension insurance. Fifth, supervision and inspection. The Ministry of Veteran Affairs, the Ministry of Human Resources and Social Security, and MOF will conduct special inspections on the use of the central fiscal subsidy funds by provinces (autonomous regions and municipalities). Sixth,

work requirements. All relevant departments in all localities must perform their duties and cooperate closely, and complete the payment of basic pension insurance premiums for veterans by the end of 2021. The finance department shall promptly allocate subsidies for the payment of basic pension insurance and basic medical insurance premiums, provide adequate funding, and strengthen fund management with relevant departments, in order to ensure the safe, regulated and efficient use of funds.

8.3%; and 607.27 billion RMB for private ones, up by 6.6%.

2. China's manufacturing PMI in June was 49.4%

The data published by NBS on June 30 showed that China's manufacturing PMI in June was 49.4%, staying flat month on month. In specific terms, the production index was 51.3%, down by 0.4 percentage point month on month; the new order index was 49.6%, down by 0.2 percentage point month on month; the raw material inventory index was 48.2%, up by 0.8 percentage point month on month; the employee index was 46.9%, down by 0.1 percentage point month on month; and the supplier delivery time index was 50.2%, down by 0.7 percentage point month on month.

1. The total profits of major industrial enterprises in China fell by 2.3% year on year from January to May

The data published by NBS on June 27 showed that the profits of major industrial enterprises in China totaled 2.37902 trillion RMB from January to May, down by 2.3% year on year. By types of ownership, the figure stood at 734.23 billion RMB for state-controlled ones, down by 9.7% year on year; 1.69931 trillion RMB for joint-stock ones, up by 0.4%; 577.58 billion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, down by

3. China's PPI in June was flat year on year

The data published by NBS on July 10 showed that China's PPI in June was flat year on year, and went down by 0.3% from the previous month. In terms of the changes in the prices of production materials, the prices of production materials fell by 0.3% year on year and by 0.4% month on month. Among them, the price of mining industry rose by 4.5% year on year and fell by 0.1% month on month; the

price of raw material industry fell by 2.1% year on year and 1.0% month on month; the processing industry price was flat year on year, and went down by 0.2% from the previous month. In terms of the changes in the price of living materials, the price of living materials rose by 0.9% year on year, which was flat month on month. Among them, food prices rose by 2.2% year on year and stayed flat month on month; apparel prices rose by 1.6% year on year, and stayed flat from the previous month; general daily goods prices rose by 0.5% year on year and up by 0.1% month on month.

4. Consumer prices in China rose by 2.7% year on year in June

The data published by NBS on July 10 showed that consumer prices in China rose by 2.7% year on year in June. Among them, the prices in both urban and rural areas rose by 2.7%; food prices rose by 8.3%, non-food prices rose by 1.4%; consumer goods prices rose by 3.2%, and service prices rose by 1.8%. China's consumer prices in June fell by 0.1% from the previous month. Among them, prices in urban areas fell by 0.1%, and prices in rural areas fell by 0.2%; food prices fell by 0.3%, non-food prices fell by 0.1%; consumer goods prices fell by 0.2%, and service prices rose by 0.1%.

5. General public budget revenue of China registered a year-on-year increase of 3.4% in the first half of the year

The data published by MOF on July 16 showed that the general public budget revenue of China in the first half of the year was 10.7846 trillion RMB, a year-on-year increase of 3.4%. Among them, the central general public budget revenue was 5.1589 trillion RMB, a year-on-year increase of 3.4%; the local general public budget revenue was 5.6257 trillion RMB, a year-on-year increase of 3.3%. The national tax revenue was 9.2424 trillion RMB, a year-on-year increase of 0.9%; non-tax revenue was 1.5422 trillion RMB, a year-on-year increase of 21.4%. In the first half of the year, China's general public budget expenditure was 12.3538 trillion RMB, a year-on-year increase of 10.7%. Among them, the central general public budget expenditure was 1.689 trillion RMB, a year-on-year increase of 9.9%; the local general public budget expenditure was 10.6648 trillion RMB, a year-on-year increase of 10.8%.

6. China's GDP grew by 6.3% year on year in the first half of the year

The data published by NBS on July 15 showed that China's GDP in the first half of the year was 45.0933 trillion RMB, a year-on-year increase

of 6.3%. On the quarterly basis, the figure for the first quarter increased by 6.4% year on year, and increased by 6.2% for the second quarter. In terms of industries, the added value of the primary industry was 2.3207 trillion RMB, up by 3.0% year on year; the added value of the secondary industry was 17.9984 trillion RMB, up by 5.8% year on year; the added value of the tertiary industry was 24.7743 trillion RMB, up by 7.0% year on year. Market sales increased steadily. In the first half of the year, the total retail sales of consumer goods reached 19.521 trillion RMB, an increase of 8.4% year on year, and the growth rate was 0.1 percentage points higher than that in the first quarter. The investment growth was basically stable. In the first half of the year, the fixed asset investment (excluding farmer household) was 29.91 trillion RMB, a year-on-year increase of 5.8%, and the growth rate was 0.2 percentage points higher than that from January to May and 0.5 percentage points lower than that in the first quarter. The growth rate of imports and exports increased slightly. The total import and export of goods in the first half of the year was 14.6675 trillion RMB, a year-on-year increase of 3.9%, and the growth rate was 0.2 percentage points higher than that in the first quarter.

7. Total operating income of SOEs in China registered an increase of 7.8% year on year from January to June

The data published by MOF on July 22 showed that the total operating income of SOEs in China from January to June was 29.4921 trillion RMB, an increase of 7.8% year on year. Among them, the total operating income of central SOEs was 17.09464 trillion RMB, an increase of 6.2% year on year; the total operating income of local SOEs was 12.39746 trillion RMB, an increase of 10.0% year on year. The total operating cost of SOEs in China from January to June was 28.44518 trillion RMB, an increase of 8.0% year on year. Among them, the total operating cost of central SOEs was 16.23422 trillion RMB, an increase of 6.3% year on year; the total operating cost of local SOEs was 12.21096 trillion RMB, an increase of 10.3% year on year. The total profit of SOEs in China from January to June was 1.82004 trillion RMB, an increase of 7.2% year on year. Among them, the total profit of central SOEs was 1.21753 trillion RMB, an increase of 8.8% year on year; the total profit of local SOEs was 602.51 billion RMB, an increase of 4.1% year on year.

8. China issued 899.6 billion RMB of local bonds in June

The data published by MOF on July 19 showed that 899.6 billion RMB of local bonds were issued in June. Among them, 317.8 billion RMB were general bonds and 581.8 billion RMB were special bonds. According to the purpose, 717 billion

RMB were new bonds, and 182.6 billion RMB were swapped bonds and refinanced bonds. From January to June, China issued 2.8372 trillion RMB of local government bonds. Among them, 1.2858 trillion RMB were general bonds and 1.5514 trillion RMB were special bonds. According to the purpose, 2.1765 trillion RMB were new bonds and 660.7 billion RMB were swapped bonds and refinanced bonds. After deliberation and approval at the 2nd Meeting of the 13th National People's Congress, the nationwide local government bond limit in 2019 is 24.07743 trillion RMB. Among them, the general debt limit is 13.308922 trillion RMB, and the special debt limit is 10.768508 trillion RMB. As of the end of June 2019, the nationwide local government debt balance was 20.5477 trillion RMB, which was controlled within the limit approved by the National People's Congress. Among them, the general debt was 11.8397 trillion RMB, the special debt was 8.708 trillion RMB; the government bonds were 20.2326 trillion RMB, and the stock of government debt in the form of non-government bonds was 315.1 billion RMB.

9. Total profit of China's major industrial enterprises went down by 2.4% year on year from January to June

The data published by NBS on July 27 showed that the total profit of China's major industrial

enterprises from January to June reached 2.984 trillion RMB, down by 2.4% year on year. Among them, the total profit of mining industry was 283.86 billion RMB, up by 4.2% year on year; the total profit of manufacturing industry was 2.46083 trillion RMB, down by 4.1% year on year; the total profit of electricity, heating, gas and water production and supply industry was 239.31 billion RMB, up by 9.0% year on year. Among the major industrial enterprises, the total profit of state holding enterprises was 936.88 billion RMB, down by 8.7% year on year; the total profit of joint-stock enterprises was 2.13906 trillion RMB, up by 0.2% year on year; the total profit of foreign and Hong Kong, Macao and Taiwan invested enterprises was 718.62 billion RMB, down by 8.4% year on year; the total profit of private enterprises was 743.07 billion RMB, up by 6.0% year on year.

10. China's manufacturing PMI in July was 49.7%

The data published by NBS on July 31 showed that China's manufacturing PMI in July was 49.7%, up by 0.3 percentage points from the previous month, indicating the rebound of prosperity. By enterprise scale, the PMI of large enterprises was 50.7%, up by 0.8 percentage points over the previous month, rising to the expansion range; the PMI of small and medium-sized enterprises was 48.7% and 48.2% respectively, down by 0.4 and 0.1 percentage

points from the previous month, staying below the critical point. Specifically, among the five sub-indices that constitute the manufacturing PMI, the production index and supplier delivery time index were above the critical point, and the new order index, raw material inventory index and employee index were below the critical point. The production index was 52.1%, up by 0.8 percentage points from the previous month and was above the critical point, indicating that the overall expansion of manufacturing production had accelerated; the new order index was 49.8%, up by 0.2 percentage points from the previous month and was below the critical point, indicating that the decline in orders for manufactured products had narrowed; the raw material inventory index was 48.0%, down by 0.2 percentage points from the previous month and was below the critical point, indicating that the main raw material inventory of the manufacturing industry had decreased; the employee index was 47.1%, up by 0.2 percentage points from the previous month and was below the critical point, indicating that the manufacturing industry's employment prosperity level had rebounded slightly; the supplier delivery time index was 50.1%, down by 0.1 percentage point over the previous month and was above the critical point, indicating that the manufacturing raw material supplier's delivery time had slightly accelerated.

III .MOF Events

1. On June 21, Finance Minister Liu Kun met with the visiting delegation of the executive directors of Asian Development Bank.

2. On June 28, the Joint Meeting of G20 Finance Ministers and Health Ministers was held during the Osaka Summit in Japan. Finance Minister Liu Kun, accompanied by Vice Minister Zou Jiayi, attended the meeting.

3. On July 2, Finance Minister Liu Kun met with Lim Guan Eng, Malaysian Minister of Finance, at MOF.

4. On July 10, Finance Minister Liu Kun and Italian Finance Minister Tria co-chaired the first China-Italy Finance Dialogue in Milan, Italy, and attended the China-Italy Financial Forum. Vice Minister Zou Jiayi also attended and addressed the meeting.

5. From July 12 to 13, during the 4th Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB), Finance Minister Liu Kun met with European Investment

Bank President Hoyer, Hong Kong SAR Financial Secretary Paul Chan and Luxembourg Finance Minister Gramegna.

6. From July 12 to 13, Finance Minister Liu Kun, as the Chinese Governor, attended the 4th Annual Meeting of the Board of Governors of the AIIB. Zou Jiayi, the Vice Finance Minister and the Alternate Governor, also attended the Annual Meeting.

IV. Local Finance

1. Finance Department of Hunan Province continuously improved accounting management and services for a new era

According to the news released by the Finance Department of Hunan Province on July 1, the Finance Bureau of Xiangtan City, Hunan Province made in-depth research on the new requirements for accounting management under the new context of economic and social development, closely focused on the city's economic and social development and key fiscal work, and achieved notable progress in promoting government

accounting reform, strengthening internal control, enhancing the training of accounting personnel, and advancing the development of the industry. First, increase efforts and continue to strengthen internal control management. Second, pay close attention to implementation and do a good job in the implementation of the government accounting standards. Third, standardize management and improve the work of the CPA association. Fourth, strengthen supervision and enhance the management of the book-keeping agencies. Fifth, improve services and strengthen the training of accounting talents.

2. Finance Department of Zhejiang Province regulated the exercise of power to promote the integrity of public finance

According to the news released by the Finance Department of Zhejiang Province on July 2, the Finance Bureau of Jinhua City of Zhejiang Province insisted on strict Party governance, continuously strengthened the management of cadres, continued to deepen the fiscal reform, and strived to build clean and corruption-free public finance featuring healthy working atmosphere, efficient performance of funds, and clean and honest cadres, thus injecting the Jinhua elements into the integrity of public finance of Zhejiang and providing financial support for the development of

clean and corruption-free Jinhua. First, strengthen the whole-process budget management and fully promote performance management. Second, promote the rule-based exercise of power and actively build sunshine finance. Third, build a clean political ecology and fully promote the integrity of public finance.

3. Finance Department of Guangxi took multiple measures to promote lifelong vocational skills training and keep employment stable

According to the news released by the Finance Department of Guangxi on July 9, Guangxi has fully implemented the requirements of the State Council documents on promoting lifelong vocational skills training and achieved remarkable results in supporting large-scale vocational skills training. First, increase investment to meet training needs. The Finance Department of Guangxi raised 1.878 billion RMB of employment subsidies to support vocational skills training programs. Second, improve policy measures and give play to the principal role of enterprises. Guangxi regarded enterprise employee training as the priority of vocational skills training and supported enterprises to carry out vocational skills training on a large scale. Third, focus on poverty alleviation and strengthen the training of poor labor. Support the “Vocational Skills Training Campaign for Tens of

Thousands of Villages and Enterprises”, respond to the market labor demands and the needs of industrial development, and provide skills training for the rural labor force willing to work and train, with the annual training plan reaching out to 40,000 documented poor people. Fourth, build the training platform to support skills training. Vigorously support the development of highly skilled personnel training bases and skill master studios, support skilled talents to participate in vocational skill competitions, and implement the incentive and reward mechanisms for highly skilled personnel.

4. Finance Department of Yunnan achieved notable outcomes in promoting electronic management for treasury centralized payment

According to the news released by the Finance Department of Yunnan Province on July 10, since 2014, Yunnan Province has taken the lead in realizing the all-round, full-process and full-coverage electronic management for fiscal treasury centralized payment and expanded the public service capacity and promoted innovation in social governance. First, promote unified standards to ensure standardized business operation. By optimizing and adjusting the traditional paper-based business review process, proof management and seal management model, Yunnan Finance Department simplified the unnecessary review

phases and manual intervention, and replaced them with automated reviewing, checking, reporting and monitoring process. Second, establish rules and policies to prevent and control risks and ensure the safety of fiscal funds. At the beginning of the reform, Yunnan formulated and improved the implementation measures for the electronic management of centralized treasury payment, measures for electronic seal management, measures for electronic certificate management, contingency plan for electronic management and other internal control policies, so that clear rules and policies are followed and powers and responsibilities are clarified. Third, promote efficient information access and improve the efficiency of administrative operations. Through the electronic management of centralized treasury payment, the fiscal funds can be safer and more efficiently managed, so that the timely payment of fiscal funds can be made and effects are maximized at an early date, significantly enhancing the efficiency of payment and administrative performance. Fourth, promote intensive management to improve efficiency and expand public service capabilities. The use of advanced information technology has helped remove the geographical and time constraints and has fundamentally solved the practical difficulties, such as the shortage of bank outlets, premature clearing time and untimely payment. Fifth, promote data aggregation to break down “islands” and advance social governance innovation. By implementing electronic management with unified

business norms and data standards, Yunnan Province has integrated the fragmented information “islands” into a unified whole, realizing the simultaneous operation of business flow, capital flow and information flow.

5. Finance Bureau of Beijing implemented the reform of “streamlining administration, delegating powers and improving services” and intensified efforts in reforming the electronic fiscal notes

According to the news released by the Finance Bureau of Beijing on July 12, in order to further deepen the reform of “streamlining administration, delegating powers and improving services”, the Beijing Finance Bureau, on the basis of the pilot reform of electronic fiscal notes, expanded the coverage of the reform in both the note-using units and the note type. First, adopt five initiatives to promote reform. Strictly implement the requirements of MOF, consider the actual situation in Beijing, introduce a series of policy measures such as the 2019 Implementation Plan for Beijing Electronic Fiscal Notes Management Reform, and implement reforms at both the municipal and district level. Starting from July 1, 2019, Beijing launched a nationally unified new version of the electronic fiscal notes, and the original notes were discontinued, realizing the integration of management processes,

coding standards and data standards for fiscal notes. Second, optimize services and greatly increase the satisfaction level. The finance authorities further strengthened the management of the use of fiscal notes, accelerated the promotion of convenient and standardized electronic notes and machine-made notes, and gradually replaced the manual notes. In the next step, the Beijing Finance Bureau will continue to promote the use of electronic fiscal notes in schools, roadside parking, education exams and comprehensive administrative law enforcement in urban management, and jointly work with the Municipal Health Commission, the Municipal Medical Administration Bureau, and the Municipal Medical Insurance Bureau in carrying out the pilot program of electronic notes for medical bills, in order to explore experiences that can be replicated and promoted and further give play to the role of pilot programs.

6. Finance authorities of Jiangsu Province took five measures to ensure effective implementation of tax and fee cut policy

According to the news released by the Finance Bureau of Taizhou City, Jiangsu Province on July 15, the implementation of larger-scale tax and fee cut policy is an important move to deepen the supply-side structural reform and promote the high-quality development of the economy.

Since 2019, the Taizhou Finance Bureau has comprehensively implemented a new round of tax and fee cut policies to ensure that taxpayers and fee-payers in the city can enjoy the benefits of tax and fee reduction. First, strengthen organizational leadership and improve the promotion mechanism. The Taizhou Finance Bureau set up a leading group to comprehensively coordinate the promotion, deployment, internal and external linkage, consultation, analysis and evaluation, follow-up inspection and supervision of the work related to tax and fee cut. Second, clarify the division of tasks and responsibilities. Build a long-term and effective work pattern with well-defined responsibilities, clear tasks, efficient operation, and binding constraints. Third, strengthen policy publicity and create a sound atmosphere. Carry out extensive publicity work and make in-depth interpretation of the significance and policy content of the new round of tax and fee cut, so as to help the taxpayers to get familiar with new policies, master new policies, comply with new policies, and benefit from new policies. Fourth, improve the supporting measures and refine the operational plan. Appropriately lower the minimum tax standard for urban land use tax, define the specific circumstances of the taxpayer's "difficulty" in paying the real estate tax, clarify the application materials, and standardize the processing time limit and workflow for acceptance, review and approval. Fifth, organize supervision and inspection to ensure the implementation of the policies. The

Finance Bureau carefully organized and carried out supervision and inspection at city level, timely coordinated the efforts to address the pain points, blocking points and difficulties encountered in the implementation of the tax and fee cut policy, and specifically proposed suggestions for implementing the tax and fee cut policy in greater depth.

7. Finance authorities of Henan Province further strengthened budget management and supported the implementation of tax and fee cut policies

According to the news released by the Finance Bureau of Zhengzhou City, Henan Province on July 22, since 2019, the Zhengzhou Finance Bureau has fully played its role, opened up new sources of revenues and reduced expenditures, further strengthened budget management, and supported the implementation of tax and fee cut policies. First, fully implement the tax and fee cut policy. Establish a mechanism where the heads of Bureau and director-level cadres are required to liaise with 16 counties (cities and districts) and visit the counties (cities and districts) to supervise the implementation of tax and fee cut policies, help strengthen budget implementation, advance progress in the disbursement of poverty alleviation funds, and coordinate the resolution of difficulties and problems in budget implementation. Second,

correctly handle the relationship between tax and fee reduction and stabilizing growth. While resolutely implementing various tax and fee cut policies, strengthen the collection of revenues, further promote comprehensive tax administration, give full play to the role of the integrated tax administration platform for real estate and construction industry, strengthen the administration of land appreciation tax and deed tax, strictly guard against the evasion and avoidance of small taxes, fully collect all taxes, timely identify and solve problems in revenue mobilization, and ensure that revenues are collected according to law. Third, cut expenditures and reinforce constraints. Reduce general expenditures, and on top of the “more than 5% reduction of general expenditures and further 3% cut of the three public expenses”, cut operating expenditures per person by 5%, 10%, 15% and 20% respectively. Fourth, actively raise financial resources to ensure the implementation of key tasks. Raise the scale of the budget stabilization fund and ease the pressure of fiscal balance by increasing the transfer of funds from the governmental fund budget and the state-owned capital operating budget into the general public budget.

8. Finance authorities of Shaanxi Province deployed fiscal policies in support of the development of real economy

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According to the news released by the Finance Bureau of Tongchuan City, Shaanxi Province on July 23, in the first half of 2019, the Tongchuan Finance Bureau closely focused on the plan of the City Party Committee and Government, continuously freed the mind, vigorously supported the development of real economy, reduced the cost of enterprises, and optimized the business environment, making positive contributions to the city's high-quality economic development. First, deploy supportive fiscal policy to boost enterprise development. Formulate the Twelve Fiscal, Tax and Financial Measures to Promote Industrial Development and the Opinions on Fiscal, Tax and Financial Measures to Support the Development of China (Tongchuan) Commercial Space City to provide policy support for major industrial projects. Second, reduce the costs of enterprises and offer more growth space for enterprises. Promote policy measures for tax and fee reduction, and implement the policy of reducing social security contribution rates. Third, optimize business environment and build a quality fiscal service network. Make scientific integration of windows and strengthen refined management. At the same time, carry out supervision and inspection over the implementation of policy measures, with a focus on the investigation and punishment of the violations of financial and economic laws and problems that increase the burden on enterprises and harm the interests of people.

9. Finance authorities of Sichuan Province intensified the mobilization of financial resources to promote high-quality economic development

According to the news released by the Finance Department of Sichuan Province on July 29, in order to effectively deal with the downward pressure on the economy and promote the high-quality development of economy, Chengdu City of Sichuan Province researched and developed 30 measures for the mobilization of financial resources and the 2019 Work Program, and fully promoted industrial development and enterprise growth, thus providing sustainable and strong financial support for accelerating the urban development that fully reflects the new development vision. First, strengthen overall coordination and establish a work promotion mechanism. Establish the Chengdu City Leading Group for Financial Resource Mobilization and include 38 important departments involving finance, tax and financial affairs authorities into the Leading Group; set up a leading group office to organize the policy research of key matters, and supervise and inspect daily work, so as to create an interlinked and coordinated working pattern between different departments. Second, strengthen the orientation to major objectives and ensure that the tasks are implemented. In 2019, the financial resource mobilization work continued to focus on industrial development and enterprise growth, and a series

of specific measures were proposed to enhance financial capabilities, promote industrial upgrading, and advance the continuous optimization of financial resources structure. Third, strengthen departmental linkages and effectively improve the effectiveness of work. Carry out special research involving multiple departments with a focus on the key work of the year, comprehensively sort through the public industrial expenditure policies around the city's major strategy, strengthen the performance management of industrial special fund budget, optimize the special fund catalogue, adjust the special fund arrangement, and further improve the effectiveness of the use of fiscal funds.

10. Finance authorities of Hubei Province took four measures to advance the implementation of the tax and fee cut policy

According to the news released by the Finance Department of Hubei Province on July 31, since the implementation of the tax and fee cut policy of the central and Hubei province, the Huangshi City Party Committee and Government have earnestly implemented the policy to good effect. From January to May 2019, the tax and fee cut in Huangshi City reached 500 million RMB. First, improve political alignment and strengthen organizational support. The Huangshi Party Committee and Government organized a special

class study session and conducted a special study at the city government executive meeting. The Huangshi City Work Program for Tax and Fee Cut was published, which clarified the work objectives, work responsibilities and deadlines to ensure orderly work progress. Second, develop supporting measures and build a management mechanism. Formulate the Rules for the Work of Tax and Fee Cut in Huangshi City, Measures for the Responsibility of the Work of Tax and Fee Cut, and Measures for the Quick Response to Tax-related Complaints of Taxpayers, further clarify job responsibilities, and enhance work implementation. Third, increase publicity and training to create a sound atmosphere. Publicize tax and fee cut policy through channels such as newspapers, multimedia, bus TV and posters, set up a special section for tax and fee cut policy on the government portal website, and provide policy consultation for businesses, in order to foster an enabling atmosphere for tax and fee cut. Fourth, highlight the work priorities and increase the intensity of work. In order to comprehensively promote the implementation of the tax and fee cut policy, Huangshi finance authorities strengthened fundraising, and accelerated the progress of fund disbursement. It kept work records, collected feedback, and implemented a list-based management mechanism for tasks such as tax and fee cut and enterprise services, so as to ensure that policies are well implemented.

V. Remarks & Opinions

1. Liu Kun: report on the central government final accounts for the year of 2018

On June 26, the 11th meeting of the Standing Committee of the 13th National People's Congress held its second plenary meeting. Entrusted by the State Council, Finance Minister Liu Kun made a report on the 2018 central final accounts. The full text is as follows.

Standing Committee of the National People's Congress,

Entrusted by the State Council, I hereby submit the 2018 central final accounts report and the draft central final accounts to the Standing Committee of the National People's Congress for review.

I. Final accounts of the central government's fiscal revenues and expenditures in 2018

In 2018, in the face of the complicated international environment and the arduous domestic tasks of

reform, development and stability, and under the strong leadership of the Party Central Committee with Comrade Xi Jinping as the core, all localities and departments, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the requirements of the 19th CPC National Congress and the Second and Third Plenary Sessions of the 19th Central Committee, adhered to the general principle of striving for progress while maintaining stability, followed through the new development concepts, enforced high-quality development requirements, pursued the supply-side structural reform as the main task, and conscientiously implemented the resolutions of the First Session of the 13th National People's Congress in accordance with the decisions of the Party Central Committee and the State Council. As a result, we have maintained the sustained and healthy economic development and the overall stability of the society, and made new progress toward building a moderately prosperous society in all respects. On this basis, new stride has been made in the work of fiscal reform and development, and the central final accounts are generally in good shape. According to the relevant provisions of the Budget Law, the following highlights are mainly reported.

(1) The final accounts of the revenues and expenditures of the central general public budget

In 2018, the central general public budget revenue was 8.545646 trillion RMB, or 100.1% of the

budgeted amount. With the addition of 245.3 billion RMB of funds transferred from the central budget stabilization fund, the central government fund budget, and the central state-owned capital operating budget, the total revenue reached 8.790946 trillion RMB. The central general public budget expenditure was 10.238847 trillion RMB, completing 99.1% of the budget. With the addition of 102.099 billion RMB of funds transferred to the central budget stabilization fund, the total expenditure reached 10.340946 trillion RMB. The central government's fiscal deficit was 1.55 trillion RMB when the total revenues were offset against the total expenditures, which was in line with the budgeted amount.

Compared with the figure reported to the 2nd Session of the 13th National People's Congress, the central general public budget revenue saw an increase of 912 million RMB. This is mainly due to the increase in non-tax revenue during the settlement period. The central general public budget expenditure increased by 667 million RMB, mainly due to the central government's tax return to local governments. The above balance of revenue and expenditure was 245 million RMB, which was already included in the above-mentioned 102.099 billion RMB of the central budget stabilization fund.

In terms of the final accounts of revenues, due to the implementation of the tax and fee cut policy

and the new downward pressure on the economy, the central general public budget revenue increased by 5.3%, an increase of 1.8 percentage points over the previous year. Among them, the tax revenue was 8.044807 trillion RMB, which was 100.3% of the budgeted amount, representing an increase of 6.3% and 4.3 percentage points lower than that of the previous year; the non-tax revenue was 500.839 billion RMB, which was 97.2% of the budgeted amount, down by 8.7%. Among the tax revenues, the domestic value-added tax was 3.075332 trillion RMB, or 104% of the budgeted amount; the domestic consumption tax was 1.063175 trillion RMB, or 100.6% of the budgeted amount; the value-added tax, consumption tax and customs duties of imported goods totaled 1.972675 trillion RMB, accounting for 97.7% of the budgeted amount; corporate income tax was 2.224211 trillion RMB, accounting for 101.6% of the budgeted amount; personal income tax was 832.442 billion RMB, accounting for 107.4% of the budgeted amount, mainly because the personal income tax went up rapidly with the increase of the residents' wage income before the rise of basic deduction standard on October 1, 2018; the vehicle purchase tax was 345.253 billion RMB, which was 96.4% of the budgeted amount; the value-added tax and the consumption tax return of export goods was 1.591393 trillion RMB, which was 107.7% of the budgeted amount, mainly because that the export tax rebate rate for some products was raised twice in the middle of the year.

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In terms of the final accounts of expenditures, the central government's expenditure was 3.270781 trillion RMB, completing 100.7% of the budget; the central government's tax return and transfer payment to local governments was 6.968066 trillion RMB, completing 99.1% of the budget. Among the central expenditures, education expenditure was 173.123 billion RMB, completing 101.2% of the budget; science and technology expenditure was 312.027 billion RMB, completing 100.2% of the budget; diplomatic expenditure was 58.337 billion RMB, completing 9.1% of the budget; defense expenditure was 1.10697 trillion RMB, completing 100% of the budget; public safety expenditure was 204.151 billion RMB, completing 102.5% of the budget; general public service expenditure was 150.368 billion RMB, completing 103.4% of the budget; grain and oil reserve expenditure was 137.564 billion RMB, completing 100.3% of the budget; debt service expenditure was 416.165 billion RMB, completing 97.1% of the budget. Among the central government's tax return and transfer payment to local governments, the tax return was 803.151 billion RMB, completing 98.7% of the budget; the general transfer payment was 3.872206 trillion RMB, completing 99.3% of the budget; the special transfer payment was 2.292709 trillion RMB, completing 98.8% of the budget. The central government transferred 5.258335 trillion RMB to the central and western regions, accounting for 85.3% of the total transfer payments.

The central reserve budget was 50 billion RMB, and the actual expenditure was 1.748 billion RMB. It was mainly used to support local efforts to strengthen the prevention and control of African swine fever, and the remaining 48.252 billion RMB has been transferred to the central budget stabilization fund. The balance of central general public budget expenditure was 92.153 billion RMB (including the 48.252 billion RMB of central reserve fund balance), which totaled 102.099 billion RMB with the addition of 9.946 billion RMB of surplus and was all used to supplement the central budget stabilization fund. At the beginning of 2018, the balance of the central budget stabilization fund was 270.846 billion RMB. With the addition of the above-mentioned 102.099 billion RMB and the 3.369 billion RMB of carryover funds from the central government-managed fund, the balance of the central budget stabilization fund at the end of 2018 was 376.644 billion RMB. After the transfer of 280 billion RMB to the budget in 2019, the balance was 96.644 billion RMB.

In 2018, the central general public budget used 115.364 billion RMB of expenditures from the previous years' carry-over funds. Among them, 18.709 billion RMB was used by the central government, and 96.655 billion RMB was used as the central government transfer payment to local government. The scale of the central budget working capital has not changed, the balance

of which at the end of 2018 was 35.403 billion RMB and was mainly used to adjust the seasonal payments within the budget year.

In 2018, the central government's "three public" expenses were 3.992 billion RMB (including basic expenditures and project expenditures), which was 1.714 billion RMB less than the budgeted amount. This was mainly because the central government implemented the spirit of the Eight-point Regulations, strictly controlled and reduced the "three public" expenditures, as well as partly due to the fact that some official overseas trips and hospitality expenses did not materialize and official car spending decreased. Among them, official overseas travel expenditure was 1.484 billion RMB, a drop of 279 million RMB; official vehicle purchase and operation expenditure was 2.233 billion RMB, a fall of 1.082 billion RMB; official hospitality expenditure was 275 million RMB, a decrease of 353 million RMB.

In 2018, the central infrastructure investment expenditure was 537.6 billion RMB. Among them, the central level expenditure was 126.733 billion RMB, and the local transfer payment was 410.867 billion RMB, which was mainly used for the development of "agriculture, rural areas and farmers", major infrastructure projects, innovation, and structural adjustment, subsidized housing projects, social undertakings and social governance, energy conservation and environmental protection,

and ecological development. The expenditure helped further enhance investment efficiency, playing a positive role in optimizing the supply structure, strengthening the infrastructure sector, and stabilizing effective investment. In the actual implementation, the central infrastructure investment projects greatly deviate from the budgeted amount, which is mainly because of the increased support to key projects such as Beijing Daxing International Airport and the power supply project for Sichuan-Tibet Railway Lhasa-Ningchi section in accordance with the arrangement of the Party Central Committee and the State Council.

In 2018, the central government issued 3.709231 trillion RMB of government bonds, including 3.677558 trillion RMB of internal debts and 31.673 billion RMB of foreign debts. The funds raised were used by the central government after the repayment of the principal of maturing debts. The treasury bonds were used to repay 2.226472 trillion RMB of principal, of which the 2.201439 trillion RMB was for internal debts and 25.33 billion RMB was for foreign debts. The balance of the government debts at the end of the year was 14.960741 trillion RMB, including the balance of domestic debts of 14.820862 trillion RMB and the balance of foreign debts of 139.879 billion RMB, and was kept within the limit of 15.690835 trillion RMB approved by the National People's Congress.

(2) The final accounts of the revenues and

expenditures of the central government-managed fund budget

In 2018, the revenue of central government-managed fund was 403.481 billion RMB, accounting for 104.4% of the budgeted amount. Added with the carry-over revenue of 38.559 billion RMB in 2017, the total revenue was 442.04 billion RMB. The central government-managed fund expenditure was 402.155 billion RMB, completing 94.7% of the budget, which was mainly due to the fact that some projects failed to meet the implementation criteria in the Civil Aviation Development Fund and the Lottery Public Welfare Fund. Among them, the central government's expenditure at the central level was 308.929 billion RMB, and the local transfer payment was 93.226 billion RMB. A total of 146 million RMB was transferred to the general public budget. The final accounts of central government-managed fund revenue increased by 216 million RMB compared with the figure of implementation, and the final accounts figure for expenditure was equal to the implementation figure.

The central government-managed fund revenue was 39.739 billion RMB more than expenditure, of which, 36.04 billion RMB was carried over to be used in the next year; the carryovers of government-managed fund that exceed 30% of the revenue of the current year totaled 3.699 billion RMB and were used to supplement the central budget stabilization fund according to regulations.

(3) The final accounts of the revenues and expenditures of central state-owned capital operating budget

In 2018, the central state-owned capital operating revenue was 132.638 billion RMB, which was 96.3% of the budgeted amount. Added with 11.359 billion RMB of carry-over revenue of 2017, the total revenue was 143.997 billion RMB. The central state-owned capital operating expenditure was 111.173 billion RMB, completing 95.1% of the budget, which was mainly due to the corresponding reduction in expenditures in the unfinished budget. Among them, the central government's expenditure was 102.485 billion RMB, and the local transfer payment was 8.688 billion RMB. A total of 32.154 billion RMB was transferred to the general public budget. The carryover for the expenditure of next year was 670 million RMB. The final accounts figure of central state-owned capital operating revenue increased by 107 million RMB compared with the implementation figure, and the final accounts figure of expenditure was equal to the implementation figure.

(4) The final accounts of revenues and expenditures of the central social insurance fund budget

In 2018, the central social insurance fund revenue was 58.967 billion RMB, accounting for 87.2% of the budgeted amount, of which, insurance premium revenue was 30.833 billion RMB and fiscal subsidy revenue was 27.487 billion RMB. Added with

241.33 billion RMB of the central adjustment fund revenue paid by the local government, the total revenue was 300.297 billion RMB. The central social insurance fund expenditure was 53.249 billion RMB, completing 81.3% of the budget. Added with 240.68 billion RMB of the central adjustment fund expenditure arranged for the local government, the total expenditure was 293.929 billion RMB. The balance of revenue and expenditure for the current year was 6.368 billion RMB, and the accumulated balance at the end of the year was 33.044 billion RMB. The final accounts figure of the central social insurance fund increased by 756 million RMB compared with the implementation figure, and the final accounts figure of expenditure increased by 36 million RMB over the implementation figure.

In accordance with the Budget Law and the relevant provisions of the State Council, the accrual accounting was implemented for some of the revenues and expenditures of the central government in 2018, including the salary and social insurance funds that have been allocated but not yet spent in the current year, the treasury centralized payment at the end of the year, and other special matters approved by the State Council. The specific information has been reported to the Standing Committee of the National People's Congress. For the above-mentioned funds, MOF will strengthen the management of budget implementation, make timely disbursement, and maximize the benefits of funds.

The budgeted amount, the final accounts and their comparative analysis regarding the central general public budget, the government-managed fund budget, the state-owned capital operating budget, the social insurance fund budget in 2018 are detailed in the draft central final accounts. Before the draft was submitted to the Party Central Committee and the State Council for approval and to the Standing Committee of the National People's Congress for review, it had been audited by the National Audit Office and revised accordingly.

II. Earnestly implement various fiscal and tax policies to promote high-quality development

In 2018, we conscientiously implemented the decisions of the Party Central Committee and the State Council, and in accordance with the relevant resolutions of the National People's Congress and approved budgets, we worked to implement a proactive fiscal policy, vigorously implemented the tax and fee cut policy, increased support to the three critical battles and supply-side structural reforms, stepped up support to innovation, "agriculture, rural areas and farmers" and people's livelihood, deepened the reform of the fiscal and tax system, strengthened budget execution management, and promoted the sustained and healthy economic development and overall social stability.

(1) Vigorously implemented tax and fee cut

On top of the 1.1 trillion RMB tax and fee cut determined at the beginning of 2018, we made adjustments in light of the macroeconomic situation in the middle of the year, and implemented a number of preferential tax and fee policies. The annual tax and fee reduction was about 1.3 trillion RMB. First, improve the VAT system. The VAT rate was lowered starting from May 1, 2018 and adjusted to 16%, 10% and 6%. The annual sales standard for small-scale taxpayers of industrial enterprises and commercial enterprises was raised from 500,000 RMB and 800,000 RMB to 5 million RMB. For the eligible enterprises in advanced manufacturing, R&D and other modern service industries as well as power grid firms, whose input tax have not been fully deducted within a certain period of time, they should be refunded at one time. Second, implement personal income tax reform. The first step of reform was implemented starting from October 1, 2018, as the basic deduction standard was raised from 3,500 RMB/month to 5,000 RMB/month, and the new tax rate table was applied. As a result, the taxpayers with monthly wage income of less than 20,000 RMB saw their tax burden fall by more than 50%. The second step of reform was implemented starting from January 1, 2019, and six special additional deductions were introduced for children's education, continuing education, major medical care, mortgage loan interest, housing rent, and care for the elderly. Third, increase the tax support for small and micro enterprises. The maximum annual taxable income

of small and micro-profit enterprises that enjoy the preferential policy of halving the corporate income tax was raised from 500,000 RMB to 1 million RMB. Fourth, encourage enterprises to increase investment in research and development. The unit value ceiling for the purchase of research and development equipments by companies that enjoy one-time pre-tax deduction was raised from 1 million RMB to 5 million RMB. The policy of increasing the extra deduction of R&D expenses to 75% was expanded from the technology-based SMEs to all enterprises. The loss carryover period of high-tech enterprises and high-tech SMEs was extended from 5 years to 10 years. Restrictions on the extra deduction of entrusted overseas R&D expenses were removed. Fifth, adjust and improve the import and export tax policy. The export tax rebate rate was increased for more than 4,000 products, and the seven brackets of tax rebate rate were reduced to five. We improved the preferential corporate income tax policies for foreign investors that make direct investment with their profits. We increased the upper limit of the goods that enjoy preferential import tax policies for cross-border e-commerce retailing and expand the scope of goods. The cross-border e-commerce retail export tax policy was extended to all cross-border e-commerce comprehensive pilot zones. The implementation of the departure tax rebate policy was extended to 26 provinces. At the same time, we cleaned up and regulated administrative fees, reduced the collection standards of some

government funds, and accelerated the cleaning-up of port charges.

(2) Support the three critical battles

Adhere to the basic principles, concentrate on key tasks, maintain steady focus, and resolutely support the three critical battles. First, focus on preventing and mitigating the hidden debt risks of local governments. We opened the “front door” and strictly blocked the “back door” to firmly forestall systemic risks. We strictly implemented local government debt limit management and budget management, basically completed the target of government debt swaps, strengthened special bond management, promoted local government debt information disclosure, and effectively kept government debt risks within statutory limits. In 2018, local government bond issuance reached 4.165168 trillion RMB, repaying 838.937 billion RMB of bonds due in the year. The balance of local government debts at the end of the year was 18.461867 trillion RMB, which was kept within the limit of 20.99743 trillion RMB approved by the National People’s Congress. We continued to maintain the regulatory high pressure, and resolutely curb the increase in hidden debt. We strengthened the guidance for local government, stably and orderly resolved hidden debt stocks, and urged high-risk areas to reduce debt risk levels through multiple channels. The illegal borrowing behavior and those responsible in some cities,

counties and financial institutions were seriously dealt with and publicly censured in 9 batches of public notices. We actively cooperated in the efforts to establish the lifelong accountability and investigation mechanisms of local governments. Second, vigorously support poverty alleviation. The central government allocated 106.059 billion RMB of special subsidies for local poverty alleviation, an increase of 23.2%. The increased funds were mainly used for deeply poor areas such as “three regions and three prefectures”. The transfer payments for education and the transfer payments for key ecological functional areas have increased in the deeply poor areas. We comprehensively promoted the pilot projects for the consolidation of agriculture-related funds in poverty-stricken counties, with the annual consolidated funds exceeding 300 billion RMB. We strengthened the supervision of poverty alleviation funds at all levels, conducted special inspections of poverty alleviation funds in “three regions and three prefectures”, and significantly reduced the cases of violations of laws and regulations. Performance management basically covered all the funds for poverty alleviation projects. In the year, 2.8 million documented poor people were relocated, and 13.86 million rural poor people were lifted out of poverty. Third, actively support pollution prevention and control. We increased investment, changed approaches and created new mechanisms to support the prevention and control of pollution. The central government allocated

255.5 billion RMB for pollution prevention and control, an increase of 13.9%. The investment in prevention and control of atmospheric, water and soil pollution was the largest in recent years. The number of pilot cities supported by central government funding in promoting clean winter heating in the northern region increased from 12 to 35. The air quality of Beijing, Tianjin, Hebei and surrounding areas further improved. The demonstration program of black and odorous water treatment was carried out in 20 cities. We supported the improvement of urban sewage treatment in the central and western regions, and strengthened the comprehensive management of the Bohai Sea. We strengthened soil pollution control and promoted the rehabilitation and treatment of farmland contaminated by heavy metal. We expanded pilot projects such as comprehensive utilization of crop straws and utilization of livestock and poultry manure, and strengthened agricultural non-point source pollution control. 14 projects, including Ningxia Helan Mountain Range, Guizhou Wumeng Mountain Area and Inner Mongolia Wuliangsu Hai Basin, were included in the third batch of landscape ecological protection and restoration pilot projects, with the pilot scope basically covering China's important ecological function areas.

(3) Support the deepening of the supply-side structural reform

Intensify efforts to overhaul the economic structure,

promote the innovation-driven development of the real economy, strengthen support for manufacturing sector, private enterprises, and SMEs, unleash the vitality of market players, and foster new growth drivers. First, support the high-quality development of manufacturing sector. Conduct the pilot program of insurance compensation for the first (set) major technical equipment and new materials. Second, enhance scientific and technological innovation. Safeguard the funding for public science and technology activities and continue to increase support for basic research. Further expand the autonomy of research institutions and central colleges in the use of funds, and streamline the reporting and inspection process. Third, promote the growth of new drivers. Support 100 national and provincial-level real economic development zones to create special platforms for innovation of SMEs. Improve the tax policy for technology enterprise incubator, university science park and public creation space, and promote nationwide the personal tax incentives for venture capital enterprises and angel investment. Give full play to the role of the National Emerging Industry Venture Capital Guidance Fund to support the development of innovative enterprises in their early and middle stages. Fourth, strengthen support for private enterprises and small and micro enterprises. Make comprehensive use of financing, credit enhancement, rewards and tax incentives to encourage financial institutions to increase financing for enterprises. Establish a

national financing guarantee fund to leverage more than 270 billion RMB in credit. Make good use of the special funds of financial inclusion to reward the increase of about 100 billion RMB of agriculture-related loans. Implement the policy of offering rewards and subsidies for the reduction of financing guarantee fees to small and micro enterprises, in order to cut the financing costs of small and micro enterprises. Fifth, consolidate the achievements of “cutting overcapacity, deleveraging, destocking, reducing costs and shoring up weak links”. Continue to support the steel and coal industry to cut excess capacity, complete the overcapacity-cutting targets of the “13th Five-Year Plan” two years ahead of schedule, and allocate subsidies to support the resettlement of about 1.2 million people. Seek solutions to resolve the legacy problems of state-owned enterprises, and support the central enterprises in the disposal of “zombie enterprises” and the management of extremely difficult enterprises. Increase efforts to shore up weak links in the key areas, promote the orderly PPP cooperation, and steadily increase the participation of private enterprises.

(4) Support the continuous improvement of the people's livelihood

Coordinate economic development with the improvement of people's livelihood, and improve the management of spending policies related to people's livelihood, while increasing spending on

people's livelihood. First, improve and implement the measures to stabilize employment. Introduce a number of policies to support enterprises to keep employment stable, and expand the scope of apprenticeship subsidies. Support the grass-root employment of college graduates, the resettlement of workers in industries that cut excess production capacity, and the training of new professional farmers. Spend about 45 billion RMB of unemployment insurance fund to ensure the basic living of 4.523 million unemployed people, and create 13.61 million new jobs in urban areas. Second, support the development of fair and quality education. Allocate about 84% of the central government's education transfer payments to the central and western regions in 2018. Increase the supply of the resources of inclusive pre-school education, and increase the pre-school education gross enrollment rate to 81.7%. Consolidate the funding mechanism for integrated compulsory education in urban and rural areas with a focus on rural areas. Raise the nine-year compulsory education rate to 94.2%, and reduce the proportion of large classes and super-large classes. Support the accelerated development of modern vocational education and promote the development of “double first-class”. Third, advance the reform of the pension insurance system. Establish and implement the centrally managed system for the basic pension insurance of enterprise employees starting from July 1, 2018, and mobilize a total of 242.23 billion RMB of funds, benefiting 22

provinces. Steadily promote the pilot program of transferring some state-owned capital to replenish the social security fund at the proportion of 10% of the state-owned shares of the enterprise. Establish the mechanism for setting and adjusting the basic pension insurance benefits for urban and rural residents. Raise the minimum basic pensions to 88 RMB, and raise the basic pension standard for retirees by about 5%. Fourth, promote the development of healthy China. Raise the fiscal subsidy for medical insurance of urban and rural residents to 490 RMB per person per year, and spend half of the increase of 40 RMB to strengthen the capacity for insuring against major illness. Keep the actual compensation rate for major illness insurance at no less than 50%. Support the reduction of taxes and prices for anti-cancer drugs, and include 17 kinds of anti-cancer drugs in the medical insurance catalogue, with an average price reduction of 56.7%. Support centralized drug procurement pilots, and cut the average price of 25 selected drugs by 52%. Raise the per capita fiscal subsidy standard for basic public health service projects to 55 RMB, and further increase the number of service projects. Consolidate the results and continue to deepen the comprehensive reform of public hospitals. Fifth, strengthen the policy to improve people's livelihood. Increase the subsidy funds for the needy people, and support the local governments to provide assistance for the low-income people with special difficulties, beggars and orphans. Continue to raise the

standard of pension and living allowances for recipients of special care, benefiting more than 8.6 million people in the country. Strengthen the basic housing security, start the renovation of 6.26 million units of houses in the shantytown and 1.9 million units of rural dilapidated houses. Sixth, promote the development of cultural undertakings. Promote the free admission of more than 50,000 museums, memorials, art galleries, cultural centers, and other public cultural facilities. Support the implementation of more than 2,000 protection programs by national key cultural relic protection units and world cultural heritage sites. Strengthen support for the development of media integration and enhance the influence of mainstream media.

(5) Promote coordinated development of urban and rural areas

Focus on the implementation of the rural revitalization strategy and the major regional strategy, strengthen fiscal and tax policy support, narrow the urban-rural development gap, and optimize urban and rural resource allocation. First, support the implementation of the rural revitalization strategy. Establish cross-provincial farmland and construction land coordinating mechanism, and raise funds to support rural revitalization and poverty alleviation. Strengthen the protection of cultivated farmland, promote the advanced agricultural technology, increase the area of high-efficiency water-saving irrigation by

21.38 million mu, and raise the comprehensive mechanization rate of agriculture to over 67%. Deepen the supply-side structural reform of agriculture, support the trial of 29 million mu of land rotation, comprehensively promote the high-quality grain project, and improve the price formation mechanism for rice and other grains. Extend the national agricultural credit guarantee system to cover nearly 50% of the counties and cities nationwide, and provide over 64 billion RMB of secured loans for 190,000 agricultural projects. Use policy-based agricultural insurance to provide 3.46 trillion RMB of risk protection for 195 million households throughout the year. Promote the improvement of rural living environment with emphasis on wastewater treatment, toilet revolution, and village appearance. Expand the scope of pilot projects to support village-level collective economic development. Second, support the implementation of major regional strategies. Use fiscal and tax policy tools to support the implementation of major regional strategies. Develop a supportive fiscal policy system for the initial stage of the planning and construction of Xiong'an New District. Introduce fiscal policies to support the comprehensive reform and opening up of Hainan. Implement incentive policies for promoting ecological protection and restoration of the Yangtze River Economic Belt, and start the compensation for the fishing ban of the key waters of the Yangtze River Basin. Formulate the fiscal and taxation policies for the construction

of Guangdong, Hong Kong and Macau Greater Bay Area. Third, support the improvement of the level of equalization of basic public services. Significantly increase the size of the general transfer payment to the central and western regions. Raise the equalization transfer payment by 9.2%, and increase the rewards and subsidies for county-level basic funding by 10% and the transfer payment to old-revolutionary bases, ethnic minority regions, border areas and poor areas by 15.7%. Arrange 40 billion RMB of phased fiscal subsidies to support the livelihood of people in the resource-depleted areas and the Northeast region.

(6) Deepen the fiscal and tax reforms

Keep goal-oriented and problem-oriented, further refine policy measures, pay more attention to the implementation and effectiveness of the fiscal and tax system while introducing new reform measures. First, accelerate the reform of fiscal system. Introduce the reform plan for the division of joint fiscal mandates and expenditure responsibilities between the central and local governments in the basic public service field, and the reform plan for the division of fiscal mandates and expenditure responsibilities in the medical and health fields, and actively promote reforms in the fields of education, science and technology, and transportation. Second, deepen the reform of the budget management system. Deeply implement the Opinions of the Central Committee of the

Communist Party of China and the State Council on the Comprehensive Implementation of Budget Performance Management, and basically establish a central-level budget performance management system focused on project expenditure. Make the disclosure of the central budget and final accounts more detailed, and further advance the disclosure of the budgets and final accounts of the provincial, city, and county governments and departments. Third, improve the tax system. While promoting tax and fee reduction, basically establish an individual income tax system that is both comprehensive and classified and reform and improve the VAT system. Accelerate the tax legislation process, successfully implement the environmental protection tax law, the ship tonnage tax law, and the tobacco leaf tax law, complete the review and passage of the farmland occupation tax law and the vehicle purchase tax law by the Standing Committee of the National People's Congress, and submit the resource tax law to the Standing Committee of the National People's Congress for initial review.

In addition, actively deploy fiscal and tax policies to support reforms in key areas. First, spare no effort to ensure the smooth progress of the reform of Party and state institutions. In line with the reform plan of Party and state institutions, release the 2018 departmental budget to the departments involved in reform, handle budget transfer in accordance with the law, and timely disburse funds to the newly formed departments to ensure the

normal operation and performance of duties and smooth implementation of the reform. Second, implement reform measures related to opening up. Implement zero tariffs on most imported drugs, including anti-cancer drugs, in service of opening up and the needs of domestic production and living. Reduce import tariffs on automobile vehicles and parts, 1,449 daily consumer goods, and 1,585 industrial products, cutting the overall tariff level of China from 9.8% in the previous year to 7.5%. Third, deepen the reform of state-owned assets and state-owned enterprises. Introduce the implementation opinions on the pilot of state-owned capital investment and operating company reform. Improve state-owned financial capital management. Present, for the first time, to the Standing Committee of National People's Congress a comprehensive report on the management of state-owned assets and a special report on state-owned assets of financial enterprises.

III. Highlight problems and further strengthen fiscal budget management

The 2018 final accounts are generally in good shape, yet there are also some problems that need to be resolved. Relevant parties from the National People's Congress and the National Audit Office also made suggestions.

We attached great importance to these issues, thoroughly implemented the spirit of the important

speech of the General Secretary Xi Jinping at the Central Audit Committee, followed the arrangement of the State Council on the audit and rectification work, seriously rectified the outstanding problems identified by the audit, took effective measures to solve the problems, strengthened management, improved the system, and strived to prevent problems before they happen. At the same time, we conscientiously implemented the opinions and suggestions of the National People's Congress on the budgetary work, and continuously improved the scientific budget management.

(1) Optimize the preparation of final accounts

Implement the suggestions of the National People's Congress on shifting the focus of budget review and supervision toward expenditure budgets and policies, fully take up the opinions and suggestions of NPC deputies and CPPCC members, continuously improve the preparation of the final accounts, and raise the quality and readability of the report. Enable the 2019 Budget Report to strictly follow the arrangement of the Central Economic Work Conference, make the expenditure policies and expenditure budgets more specific and detailed, and add annexes to enrich the form of report. Make the draft preparation more detailed, and add more notes. For the first time, include the central government-managed fund budget and the transfer payment from the state-owned capital operating budget, and include the income

and expenditure of central adjustment fund into the social insurance fund budget, further increase the materials related to the performance targets of central to local transfer payment budget and government-managed fund budget, and continue to increase the number of central department projects submitted to the National People's Congress for review compared with the previous year.

(2) Strengthen budget performance management

Steadily promote a result-oriented and full-process budget performance management model. Expand the performance target management scope from general public budget projects to some central government-managed fund budgets and central state-owned capital operating budget projects. Allow the performance targets of central department-level projects and special transfer payments to be simultaneously reported, reviewed and released as the budgets, carry out "double monitoring" over the budget execution and performance achievement of all departmental expenditures, timely correct the deviations in implementation, conduct self-assessment of performance after implementation, and check and review the results of self-assessment. Intensify the key performance evaluations. Carry out performance evaluation for 38 key expenditures related to people's livelihood in 2018, involving more than 550 billion RMB of funds. Continue to arrange funds or increase fiscal spending for

some policies and projects with good performance evaluations, and cut budget and urge relevant departments to improve policies and improve management in case of poor performance evaluation. Submit over 260 project performance self-assessment results and 20 key performance evaluation reports to the Standing Committee of the National People's Congress for review or reference, and promote the disclosure to the public.

(3) Reform and improve the transfer payment system

Amend more than 50 central-to-local transfer payment funds management methods, optimize distribution factors and weights, and adjust and refine subsidy standards. In accordance with the reform requirements of the central and local fiscal mandates and expenditure responsibilities and in light of the problems identified by the audit, merge the projects that belong to the basic public service field with joint central and local fiscal mandates in the current general transfer payments and special transfer payments, set up joint-fiscal-mandate transfer payments starting from 2019, and enhance the local capabilities in providing basic public services. Accelerate the release of transfer payment budget, and strengthen transfer payment management. When it comes to general transfer payment, study and simplify distribution factors, and encourage local governments to retain more financial resources. In terms of joint-

fiscal-mandate transfer payment, promote the establishment of a separate management system, and gradually promote the list-based management and establishment of control mechanisms. In terms of special transfer payments, further standardize the allocation management, improve the regular assessment and exit mechanism, and cancel or adjust the special payment based on the evaluation results.

(4) Improve departmental budget management

Supervise and guide the central government departments to optimize the expenditure structure, strictly control the general expenditure, and use more funds for important undertakings. Further expand the evaluation scope of central department projects, continue to organize and carry out dynamic evaluation of major projects, and strive to change the pattern where project expenditures keep increasing and never fall. Strengthen budget monitoring, and accelerate the pace of budget execution. Further link budgetary arrangement with budget implementation, and reduce the budgetary arrangements for the next year for departments with slow implementation progress in the previous year. Enable central departments to publicize the budget and final accounts on a unified platform and actively respond to public concerns.

(5) Strengthen the coordination of budget management

Strengthen the coordination of government-managed fund budgets, state-owned capital operating budgets and general public budgets when arranging related expenditures. Remove the requirements regarding the use of funds for intended purpose in the general public budget. Raise the proportion of central state-owned capital operating budget funds transferred to the general public budget to 25%, an increase of 3 percentage points over 2017. Raise the central infrastructure investment budget disbursement rate to 94.8% at the beginning of 2018. Release the local transfer payment budget in advance for the first time, and compile the budget performance targets for the first time. Strengthen inter-departmental communication and coordination, implement project double-checking mechanism, further optimize investment direction and structure, and give better play to the guiding role of government investment.

Since the beginning of this year, in accordance with the decisions of the Party Central Committee and the State Council, major fiscal and tax policies have been implemented in a faster manner, and policies, such as deepening the reform of value-added tax, inclusive tax reduction for small and micro enterprises, and lowering the rate of social security contribution, have been implemented. The local governments have made cumulative issuance of 1.4596 trillion RMB of new bonds in the first five months, which effectively promoted the smooth performance of China's economy and significantly

improved market confidence. From January to May, the national general public budget revenue was 8.9919 trillion RMB, a year-on-year increase of 3.8%. Among them, tax revenue increased by 2.2%, down by 13.6 percentage points. The increase of value-added tax revenue in tax revenue fell by 12.2 percentage points, and personal income tax revenue fell by 30.7%, the increase in the value-added tax and consumption tax revenue of imported goods fell by 16.4 percentage points, and the increase in tariff revenue fell by 11.4 percentage points; the special revenue among the non-tax revenues related to education fees decreased by 2.9%, and the revenue from administrative fees fell by a further 1.3% on top of the 20.7% decrease in the same period of last year. The national general public budget expenditure was 9.3023 trillion RMB, an increase of 12.5%. Expenditures on poverty alleviation, eco-environmental protection, education, and health care went up rapidly. The central general public budget revenue was 4.3397 trillion RMB, an increase of 3.6%; the central general public budget expenditure was 1.3439 trillion RMB, an increase of 12.5%.

In the next step, we will closely implement the spirit of the Central Economic Work Conference, strictly follow the requirements of the Government Work Report, strictly implement the budget approved by the National People's Congress, strive for progress while maintaining stability, highlight the central task, adhere to the overall principle

of keeping macro policies stable, micro policies flexible and social policies sound, work harder to implement effective proactive fiscal policies, stimulate market vitality and promote high quality development. At the same time, we will firmly establish the awareness and enforce diligence and frugality in all aspects of fiscal work. We will tighten the belt, adopt a simple work style, and vigorously reduce administrative expenses. Focus will be put on the following work. First, ensure that the large-scale tax and fee cut is put in place. Strictly implement the VAT cut policies such as reducing the VAT rate, expanding the scope of input tax deduction, refunding the tax credit, as well as the inclusive tax reduction measures for small and micro enterprises. Strengthen non-tax revenue management, and further clean up and standardize administrative fees and government-managed fund. Supervise and guide local government to mobilize financial resources and cut expenditures, strengthen budget management of fiscal revenue and expenditure, revitalize existing assets, strive to further reduce general expenditures by more than 10%, and support the implementation of tax and fee cut policies. Closely follow the reaction of market participants in the implementation of policy, improve policies and services in a timely manner, and strengthen supervision and inspection, so that enterprises and the masses can truly gain the benefits. Second, strengthen spending in key areas. Continue to support the fight against the three critical battles, and focus efforts on

tackling the outstanding issues. Promote the employment of key groups of people, implement the subsidy policies for elderly care, medical care and social protection, and continuously address the shortcomings of people's livelihood. Improve the management mechanism for expenditures on areas related to people's livelihood and timely correct the expenditure policies or projects that are unrealistic and unaffordable. Improve the basic funding mechanism at the county level and enhance the financial ability of regions suffering from financial difficulties. Supervise and guide the local authorities to ensure the "three guarantees", and prohibit the local governments from engaging in illegal borrowing no matter the financial difficulty. Third, improve the ability and level of budget implementation. Accelerate the budget release, especially the budget not allocated to departments and localities at the beginning of the year. Accelerate the local government's new bond issuance, and strive to complete the basic issuance before the end of September. Strengthen the analysis and assessment of budget implementation, and urge local governments and departments to implement the principal responsibility for budget implementation. Promptly establish a comprehensive, full-process and full-coverage budget performance management system, reduce inefficient and ineffective expenditures, and improve the efficiency of fund allocation and effectiveness of fund use. Fourth, promote the implementation of key reform tasks. Promptly

formulate reform plans for the division of fiscal mandates and expenditures responsibilities in areas such as emergency rescue and natural resources. Steadily promote the reform of the revenue sharing between central and local governments. Further expand the scope of the implementation of the central state-owned capital operating budget. Increase efforts to promote tax legislation. Improve the submitting of comprehensive report on the management of state-owned assets and the special oral report on the management of state-owned assets in administrative institutions to the Standing Committee of the National People's Congress. Fifth, continue to intensively rectify the problems identified in audit. Clarify the responsibility for rectification, increase the efforts of rectification, adhere to the principle of "treating the disease and preventing the potential disease", and at the same time, deepen the reform and improve the system, further strengthen management and supervision of budget implementation and fiscal expenditure, and establish and improve the long-term mechanism.

We will be more closely united around the Party Central Committee with Comrade Xi Jinping as the core, be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, firmly adhere to the "four consciousnesses", strengthen the "four self-confidence", and resolutely ensure the "two safeguards", consciously accept the supervision of the Standing Committee of the National People's

Congress, conscientiously enforce the suggestions and comments of this meeting, do a good job in fiscal budget management, promote sustained and healthy economic development and overall social stability, in order to lay a decisive foundation for the building of a moderately prosperous society in all respects and celebrate the 70th anniversary of the founding of the People's Republic of China with excellent achievements.

2. Liu Shangxi: fiscal reform during the 14th Five-Year Plan Period should tilt more toward the division of expenditure responsibilities

On June 26, Liu Shangxi, Director General of the China Academy of Fiscal Sciences, said at the Workshop on China's Fiscal Reform during the 14th Five-Year Plan Period that China's fiscal reform should be compatible with the current stage of development and be adapted to the overall goal of reform. First, the targets of fiscal reform should be diverse. Fiscal reform must focus not only on economic targets, but also on social targets; it should consider not only economic issues, but also social, ecological and global governance issues. It is necessary not only to unleash the vitality of the local economy, but also to promote social development, support poor areas and improve the ecological environment. Second, in a dynamic society, fiscal reform should tilt towards the division

of expenditure responsibilities. In view of the increasingly integrated development of the dynamic society, the central and provincial governments need to take on more fiscal mandates and gradually increase the proportion of central government expenditures to the total expenditure. Third, we must consider fiscal sustainability from the perspective of public risks. To achieve fiscal sustainability, we must not only control the risks of the financial sector itself, but also balance the relationship between public risks and fiscal risks. Fourth, the core of the 14th Five-Year Plan is people-centered. It is necessary to shift investment from material capital to human capital and provide better public services, with a view to addressing inequality and promoting fair opportunities. The future development of China should be centered on people, which is also at the core of the 14th Five-Year Plan.

program in infrastructure and other productive sectors should be established in low-income countries to boost growth, create jobs, reduce poverty, empower women, and then drive a higher level of economic and social achievement. AIIB and other MDBs have a crucial role to play in this regard. Asian investment markets are still at an early stage of development in terms of depth, breadth and impact. Lack of infrastructure investment is still one of the constraints affecting growth in developing Asia. Asian countries need to invest in high-quality infrastructure, choose projects with high economic returns, design them well and finance them sustainably. At the same time, it should be ensured that projects benefit the local population, do no harm to people or the environment and leave no chance for corruption. This is what it means to be lean, clean and green.

3. Jin Liqun: Asian countries need to invest in high-quality infrastructure

On July 12, at the Fourth Annual Meeting of the AIIB, AIIB President Jin Liqun said that global growth is stabilizing, but protectionism and disruption of trade and cross-border investments constitute a major risk to many countries. Many low-income countries are particularly vulnerable to market turbulence as their exports are likely to suffer setbacks and their debt sustainability adversely affected. A well-coordinated investment

4. Jia Kang: leave space for the innovation of the manufacturing sector

On July 17, Jia Kang, President of the China Academy of New Supply-side Economics, said that since the beginning of this year, China's fixed asset investment has maintained an overall growth trend, but the momentum is weak. At present, against the backdrop of complicated external changes and accumulated internal problems, China's manufacturing enterprises have shown strong conservative wait-and-see sentiment, and

are more likely to endure the difficult stage than make any investment. Therefore, enterprises should be incentivized to invest in manufacturing. First, encourage enterprises to get bold and seize opportunities for development. Second, stimulate effective investment through large-scale projects, so that enterprises can feel the realistic relevance of their production capacity. The production capacity of large and medium-sized equipment manufacturing enterprises must be connected with investment projects of a certain scale. In the face of the current external uncertainties, we must enhance our own certainty, and as we expand domestic demand and increase effective investment, we should properly increase infrastructure construction, such as roads and railways, in support of China's economic development. Third, create a high-standard and law-based business environment, so that enterprises have more confidence in property rights protection and fair competition. Fourth, achieve an upgraded version of high-quality development in the unavoidable competition by turning "pressure into power". We need to guide and motivate small and medium-sized enterprises to complement each other in competition and cooperation and to support large-scale social production. As a result, the unleashed potential will become active investment and expanded the scale of production and operation, i.e., boost dynamism through institutional supply and promote technological innovation through institutional innovation.

5. Bai Jingming: tax cut and increased expenditure are lightening the burden of businesses and strengthening the basis for sustained growth

On July 23, Bai Jingming, Deputy Director General of the China Academy of Fiscal Science, said that aggressive tax cut and further increase in expenditure is a prominent feature of the proactive fiscal policy which aims to stabilize growth, i.e., adopting accommodative measures to lighten the burden of businesses and strengthen the basis for sustained growth. Specifically, this move intends to transfer more resources to market entities and individuals through tax cut; and expand current effective consumption demand and effective investment through increased spending. The tax cut would lead to an increase in potential demand, and the increase in expenditure would result in an increase in the actual purchasing power. The interaction between the two ultimately would push up total supply growth and structural adjustment, and the synergy would strongly boost economic growth. The macroeconomic data for the first half of 2019 suggest that the policy objectives of aggressive tax cut and increased expenditure have been achieved, which are manifested in three aspects: First, the VAT reform is focused on promoting the healthy development of the real economy, especially the manufacturing industry. VAT cut directly increased the cash flow of manufacturing companies, thus supporting

manufacturing development to a certain extent. Second, structural adjustment is the focus of tax cut and increased expenditure. In 2019, China once again increased the pre-tax deduction ratio of R&D expenses for enterprises, which greatly lowered the growth of the income of corporate income tax. Third, aggressive tax cut and increased expenditure have expanded employment and stimulated consumption. The macroeconomic data of 2019 showed that the selection of the focus of aggressive tax cut and increased expenditure has paid off. In

the first half of the year, the growth rate of resident income exceeded the GDP growth rate by 2.5 percentage points. The number of newly-employed people in urban areas was 7.37 million, accounting for 67% of the annual target. The growth rate of total retail sales of consumer goods exceeded the GDP growth rate by 2.1 percentage points. As a result, the macroeconomy has maintained a virtuous interaction between employment, consumption and GDP.

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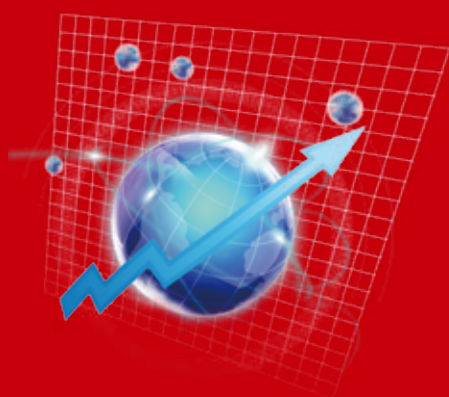
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