



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

# Chinese Taxation: The Current Situation and Future Reform

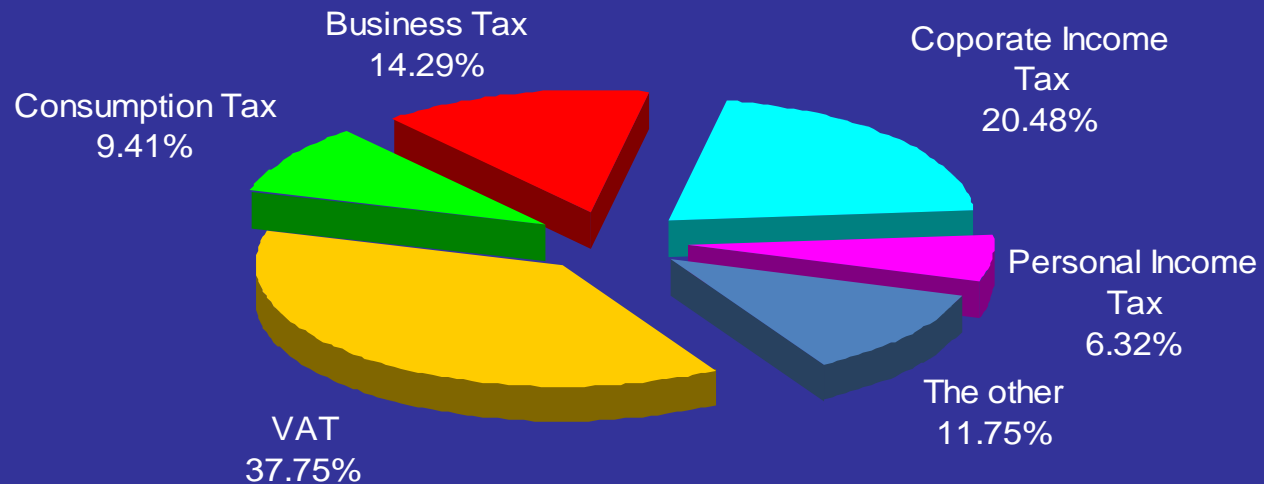
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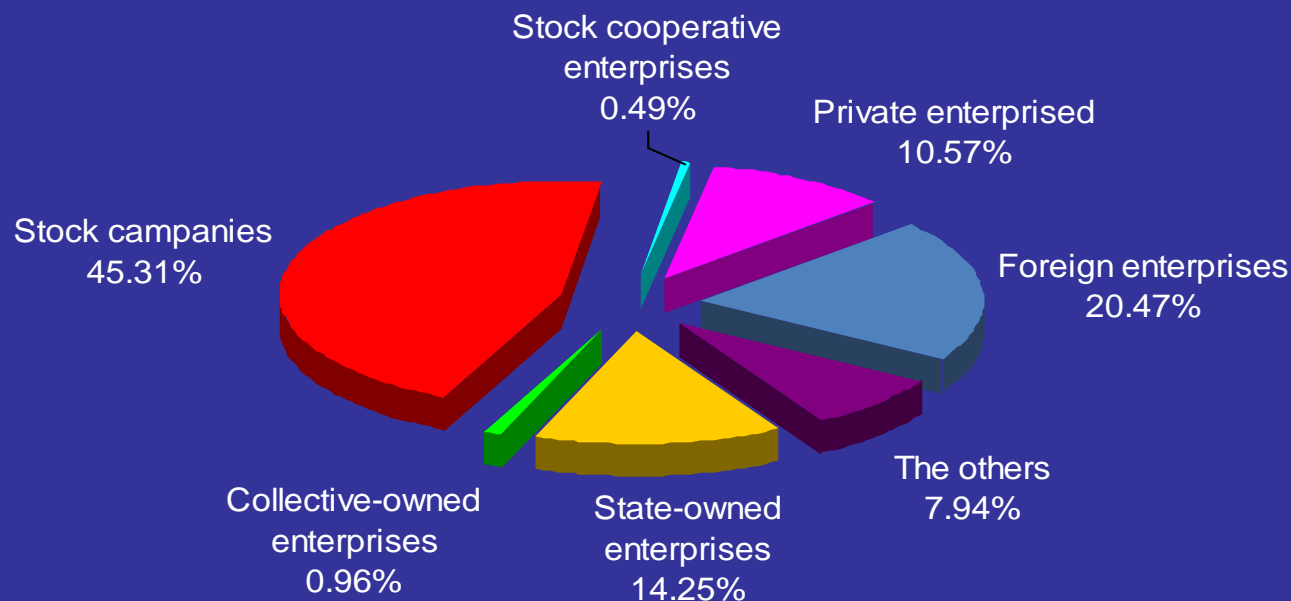
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## *Current Situation 1 : The high proportion of turnover tax—State Administration of Taxation ( 2011 )*





## *Current Situation 2 : The high proportion of enterp -rise tax—State Administration of Taxation ( 2011*





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

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

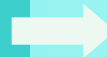
Huge  
challenges

The high relevance  
between tax and price



High tax, high price

The difference between Chinese  
and foreign countries' tax



Export duty refund for the trade friction

Most tax from  
enterprises



Increase the nominal levy of enterprises

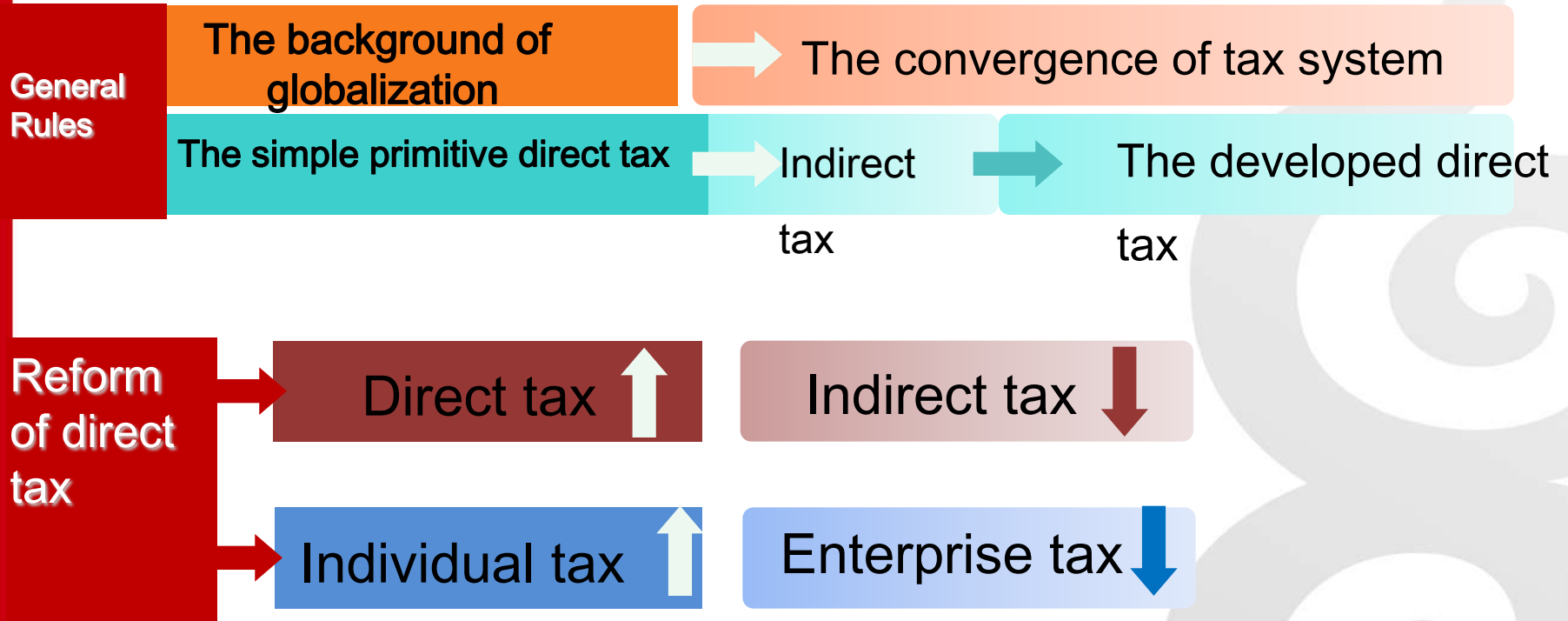
Divert the attention to  
direct tax



No good for equalization of the income distribut



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





# ***Structural Tax Cut1 : Main on VAT***

## ▪ ***Main on VAT***

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

## ▪ **The effects : three channels**

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

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



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# *Structural Tax Cut2 : outspread effect*

## *Extension of VAT : The relevant Reforms*

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



# *The future reform : The comprehensive PIT*

To adjust the income distribution

Current situation



Too little + Classified taxation

Basic facts



Too many forms of income+ Gap not in salary and wa

Target



( Increase proportion+ Transformati



Comprehensive and classif

Taxpayer's pursuit



Comprehensive and classification

Choice



Hold right direction+ Address the hard question of collection





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

Tax on rich people—Decrease the gap

Property tax→Wuye Tax : Not approaching

Main obstacles : Vested interest(VT)+ Collection system

Pilot reform1 : Not on VT→Tax on “0”

Pilot reform2 : Collection system→Quit halfway

Next : Revolution of collection



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## *Basic construction : Revolution of collection*

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



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**Thank You !**