10. Land and Property Tax in China

The categories of tax concerning land and property in China

There are seven kinds of taxes concerning land and property in China: Business Tax, Urban and Township Land Use Tax, House Property Tax, Urban Real Estate Tax, Farm Land Occupation Tax, Land Appreciation Tax, and Deed Tax.

Table 1: The categories of tax concerning land and property in China

<table>
<thead>
<tr>
<th>Order Number</th>
<th>Tax Category</th>
<th>Date of Issue</th>
<th>Effective Date</th>
<th>Applied Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Urban and Township Land Use Tax</td>
<td>Sep. 27, 1988</td>
<td>Nov. 1, 1988</td>
<td>Only to domestic enterprises and individuals</td>
</tr>
<tr>
<td>3</td>
<td>House Property Tax</td>
<td>Sep. 15, 1986</td>
<td>Oct. 1, 1986</td>
<td>Only to domestic enterprises and individuals</td>
</tr>
<tr>
<td>4</td>
<td>Urban Real Estate Tax</td>
<td>Aug. 8, 1951</td>
<td>Aug. 8, 1951</td>
<td>Only to enterprises with foreign investment, foreign enterprises and foreigners</td>
</tr>
<tr>
<td>5</td>
<td>Farm Land Occupation Tax</td>
<td>Apr. 1, 1987</td>
<td>Apr. 1, 1987</td>
<td>Domestic enterprises and individuals and those enterprises with foreign investment, foreign enterprises and foreigners who do business in the field of real estate</td>
</tr>
</tbody>
</table>

The tax bases of the seven taxes

1. Business Tax

All units and individuals engaged in the provision of taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the P. R. China shall be taxpayers of Business Tax. With respect to land and property tax, “Provisional Regulations of the P. R. China on Business Tax” stipulates that the business tax shall be calculated according to the turnover of transferring intangible assets or selling immovable properties.

Prepared by Xu Shanda and Wang Daoshu, State Administration of Taxation of P.R. China, Beijing.
The turnover of the taxpayers shall be the total proceeds and all other charges receivable from the buyers for the transfer of intangible assets or sales of immovable properties by the taxpayers.

2. **Urban and Township Land Use Tax**

The units and individuals utilizing land within cities, counties, townships and mining districts shall be the taxpayers. The computation of Urban and Township Land Use Tax shall be based on the amount of area of land actually occupied and by applying the amount of tax specified. The measurement of area occupied shall be determined by governments of provinces, autonomous regions or municipalities directly under the State Council according to practical circumstances.

3. **House Property Tax**

The house property tax shall be levied in cities, county towns, state designated townships and industrial and mining areas. The owner of the property rights shall pay the house property tax. The tax shall be calculated on the residual value following the subtraction of between 10% and 30% of the original value of the property. The governments of provinces, autonomous regions or municipalities directly under the State Council shall determine the details of the scope of the subtraction. Should the property’s original value not be available as a basis, the local tax offices shall examine and decide on an amount with reference to the value of other real estate of a similar nature. Where the property is leased, the rental income from the property shall be used as a basis for the computation of the house property tax.

4. **Urban Real Estate Tax**

The owner of the property shall be liable for the payment of urban real estate tax. Where the property is subject to a mortgage, the mortgagee shall be liable for payment. Where the owner and the mortgagee are not present at the locality in which the property is situated, where ownership of the property has not been established or where disputes in connection with tenancy and mortgage of the property have not been resolved, the tax shall be paid by the custodian or the user of the property on behalf of the owner or mortgagee.

Urban real estate tax shall be assessed as follows:
(1) The tax on building shall be assessed annually on the standard value of buildings.
(2) The tax on land shall be assessed annually on the standard value of land.
(3) If it is difficult to determine separately the standard value of land and the standard value of buildings, the tax shall be assessed on the consolidated standard value of land and buildings.
(4) If it is difficult to determine the standard value of land and buildings, the tax shall be assessed on the basis of the standard rental value of real estate.

The standard values mentioned above shall be appraised as follows:
(1) The standard value of buildings shall be appraised in terms of different categories and grades according to the general local market value and with reference to the current price of local building construction.
(2) The standard value of land shall be appraised in terms of different districts and grades according to such conditions as the location of the land, the degree of prosperity of the locality and communication facilities and with reference to the general local market value of the land.
(3) The standard value of real estate shall be appraised according to the location of the real estate and building construction circumstances, taking into account the local general market value of real estate for different districts and categories and grades of real estate.
(4) The standard rental of real estate shall be appraised in terms of different districts, categories and grades and, in general, according to the local general rental value of the land and its affixed buildings.

A committee for real estate assessment shall be established in all cities in which Real Estate Tax is imposed. Real estate shall be assessed once a year. Where, on examination of the original assessed value, the committee for real estate assessment determines that reassessment isn’t necessary, the extension of validity of the assessment of the previous year shall be submitted to the local People’s Government for approval. The results of assessments or the extension of the validity of the assessment of a previous year shall be subject to examination, approval and notification by the local People’s Government.

5. Farm Land Occupation Tax

The taxpayers of Farm Land Occupation Tax are enterprises, units, individual household businesses and other individuals (except enterprises with foreign investment, foreign enterprises and foreigners) who occupy farmland for building construction or for other non-farm purposes. This tax is imposed on all State owned and collectively owned crop-planting land, and also on newly developed wasteland, fallow land, land for rotation of crops, land for rotation of grass and crops.

The computation of the tax is based on the area of farmland actually occupied by taxpayers and by applying the specific applicable tax per unit, and paid in lump-sum.

6. Land Appreciation Tax

Land Appreciation Tax shall be computed according to the “appreciation amount” derived by the taxpayer on the transfer of real estate and the tax rates specified.

The appreciation amount shall be the balance of proceeds received by the taxpayer on the transfer of real estate, after deducting the sum of deductible items specified below. Proceeds received by the taxpayer on the transfer of real estate include monetary proceeds, proceeds in kind and other proceeds. The deductible items are as follows:
(1) The sum paid for the acquisition of land use rights;
(2) Costs and expenses for the development of land;
(3) Costs and expenses for the construction of new building and facilities, or assessed value for used properties and buildings;
(4) The taxes related to the transfer of real estate;
(5) Other deductible items as stipulated by the Ministry of Finance.

7. Deed Tax

The taxpayers of Deed Tax are those units, individual who are the transferees of land and houses property within the territory of China. The Deed Tax is normally based on one of the following:
(1) The transaction price in case of sale/purchase of houses, or sale of use right of State-owned land;
(2) Assessment made by tax collection offices in reference to the market price of land use right sale or house sale in case of transferring land use right or house as gift; or
(3) The difference of the land use right price and the house price in case of exchange of land use right and house.
The tax rates of the seven taxes

1. Business Tax

The rate of Business Tax concerning land and property is as follows:
For the taxable items of transfer of intangible assets (includes transfer of land-use rights among several items), and for the taxable items of sale of immovable properties (that is, sale of buildings and other attachment to land), both rates are 5%.

2. Urban and Township Land Use Tax

The annual amount of Urban and Township Land Use Tax per square is as follows:
(1) 0.5-10 Yuan Renminbi in large cities;
(2) 0.4-8 Yuan Renminbi in medium size cities;
(3) 0.3-6 Yuan Renminbi in small cities;
(4) 0.2-4 Yuan Renminbi in counties, townships and mining districts;
These annual amount ranges of Urban and Township Land Use Tax were set by the central government. The governments of provinces, autonomous regions or municipalities directly under the State Council shall determine the applicable ranges of tax for their own jurisdictions within the ranges listed above with respect to the city construction condition and the extent of economic prosperity.

Based on practical conditions, the municipal and county governments shall classify the land in their jurisdictions into different grades, and formulate the applicable amount of tax in accordance with the range stipulated by the governments of provinces, autonomous regions or municipalities directly under the State Council, and then submit it to the governments of provinces, autonomous regions or municipalities directly under the State Council for approval. Upon approval by the governments of provinces, autonomous regions or municipalities directly under the State Council, the applicable range of tax in economically backward areas may be reduced. However, the reduction shall not exceed thirty percent of the minimum amount of tax as stipulated by “Provisional Regulations of the People’s Republic of China on Urban and township Land Use Tax”. The range of tax in economically developed areas may be raised upon approval of Ministry of Finance.

3. House Property Tax

The house property tax shall be calculated on the residual value of the property at a rate of 1.2%, or on the rental income from the property at a rate of 12%.

4. Urban Real Estate Tax

Urban real estate tax shall be calculated at the rates as follows:
(1) The tax on buildings shall be calculated at the rate of 1% of the standard value of buildings.
(2) The tax on land shall be calculated at the rate of 1.5% of the standard value of land.
(3) If it is difficult to determine separately the standard value of land and the standard value of buildings, the tax shall be calculated at the rate of 1.5% of the consolidated standard value of the land and buildings.
(4) If it is difficult to determine the standard value of land and buildings, the tax shall be calculated at the rate of 15% of the standard rental value of the real estate.
5. **Farm Land Occupation Tax**

Different ranges of the farmland occupation tax per unit are specified for different regions in consideration of the average size of farmland occupied per person and the local economic situation. The annual amount of tax payable per square meter is:

Taking county as the administrative region for calculation (hereinafter the same), 2-10 yuan for county with one mu (*one hectare equals fifteen mu*) or less of farmland per person;

1.6-8 yuan for county with 1-2 mu farmland per person;

1.3-6.5 yuan for county with 2-3 mu farmland per person;

1-5 yuan for county with more than 3 mu farmland per person; the land occupied by residents within countryside for the construction of new houses apply to the half rates list above.

The amount of tax payable per unit may be raised for Special Economic Zones, Economic and Technological Department Areas, and regions of developed economy and tiny average size of farmland per person.

In order to avoid big gaps between neighboring regions, the Ministry of Finance has assessed the average tax per unit for provinces, autonomous regions and municipalities at provincial level, which ranges from 2.5 to 9 yuan.

6. **Land Appreciation Tax**

Land appreciation tax shall adopt four progressive rates as follows:

For that part of the appreciation amount not exceeding 50% of the sum of deductible items, the tax rate shall be 30%.

For that part of the appreciation amount not exceeding 50%, but not exceeding 100%, of the sum of deductible items, the tax rate shall be 40%.

For that part of the appreciation amount not exceeding 100%, but not exceeding 200%, of the sum of deductible items, the tax rate shall be 50%.

For that part of the appreciation amount not exceeding 200% of the sum of deductible items, the tax rate shall be 60%.

7. **Deed Tax**

Deed Tax adopts a flat rate within the range of 3% - 5%. The rate applicable in jurisdictions at provincial level shall be determined within the above range by the governments of provinces, autonomous regions or municipalities directly under the State Council.

- **The tax administration of the seven taxes**

Local tax bureaus are responsible for collecting and enforcing these seven taxes. The collection and administration of these seven taxes shall be in accordance with the relevant regulations of the “Law of the People’s Republic of China Concerning Tax Administration and Collection”.

The revenue of these taxes belongs to local governments. There are differences, however, among the governments of provinces, autonomous regions or municipalities directly under the State Council regarding the revenue-sharing system of these taxes among different level governments.
1. **Business Tax**

The time at which a liability to Business Tax arises shall be the date on which the business proceeds are received or documented evidence of right to collect business proceeds is obtained by the taxpayer. Taxpayers transferring land use rights shall report and pay tax to the local competent tax authorities where the land is located. Taxpayers selling immovable properties shall report and pay tax to the local competent tax authorities where the immovable properties are located.

2. **Urban and Township Land Use Tax**

The Urban and Township Land Use Tax shall be computed on an annual basis and paid in installments. The governments of provinces, autonomous regions or municipalities directly under the State Council shall determine the time limits for tax payment.

The local tax bureau in the region where the land is located shall collect the Urban and Township Land Use Tax. The land administration departments are obliged to provide tax bureaus the documents related to the ownership of land use right.

3. **House Property Tax**

The local tax office in the region where the property shall collect the house property tax. The tax shall be collected annually with payment in installments. The governments of provinces, autonomous regions or municipalities directly under the State Council shall determine payment deadlines.

4. **Urban Real Estate Tax**

Taxpayers of urban real estate tax shall, within one month following the notification of the real estate assessment, file a return with the local tax authorities of the location in which the real estate is situated as to the condition of the buildings, the number of rooms, the floor space and other such information. Changes in the addresses of the owners, transfers of ownership or the expansion or renovation of buildings which result in changes in the value of the property must be reported to the local authorities within 10 days following the changes of addresses, the transfer of ownership or the completion of the expansion or renovation.

Tax authorities shall establish a register in respect of the investigation and imposition of real estate tax and shall prepare detailed maps showing the different grades of land; on the basis of the results of assessment made by the committee and the returns filed by taxpayers, the tax authorities shall proceed with the investigation, registration and verification of the tax and shall issue a notice for payment of the tax to the Treasury within the time limit. If the taxpayer disagrees with the result of the assessment of the real estate, the taxpayer shall both pay the tax and apply to the committee for reconsideration.

The local tax authorities shall determine whether urban real estate must be paid in quarterly or semi-annual installments. The provincial (municipal) tax authorities shall, in accordance with these provisions, formulate measures for the investigation and collection of urban real estate tax and shall submit the measures to the Provincial (Municipal) People’s Government for approval and implementation and, shall also submit the measures to the State Administration of Taxation for the record.
5. Farm Land Occupation Tax

Currently, the local financial department or local tax bureau in the region where the land locates is responsible for the collection of the tax. The department of land administration is obliged to inform the local financial department or local tax bureau when the units or individuals are approved to occupy the land. The taxpayers of Farm Land Occupation Tax shall pay the tax to the local competent tax authorities within 30 days after getting the permission of land occupation from the department of land administration. The department of land administration shall transfer use right of the land to the units or individuals according to their receipt of tax payment.

6. Land Appreciation Tax

Taxpayers shall report the tax to the local competent tax bureaus in the regions where the real estate is located within 7 days of signing the real estate transfer agreement, and pay the tax within the period specified by the tax bureau. The local tax bureau in the region where the real estate is located shall also collect the land appreciation tax. The departments for land administration and departments for real estate administration shall provide the tax bureaus with relevant information, and assist the tax bureaus in the collection of the land appreciation tax pursuant to the law. For taxpayers that have not paid the land appreciation tax according to the regulations, the departments for land administration and departments for real estate administration shall not process the relevant title change procedures.

7. Deed Tax

The financial authorities or tax authorities in the regions where the land of house property is located are in charge of collecting of deed tax. The governments of provinces, autonomous regions or municipalities directly under the State Council shall determine the responsible authorities. The department of land administration and the department of house properties administration are obliged to provide the documents related to the deed tax with the responsible authorities and assist the responsible authorities in the collection of the deed tax pursuant to the law.

The taxpayers shall report to the tax authorities within 10 days from the day on which the contract of transferring land and houses is signed and pay the tax within the time limit stipulated by the responsible authorities. With the tax return form of deed tax, taxpayers can apply to the department of land administration and the department of house properties administration for transferring the rights pursuant to laws and regulations.
## The revenue of the seven taxes

### Table 2: The revenue of the seven taxes concerning land and property in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Tax</th>
<th>Urban and Township Land Use Tax</th>
<th>House Property Tax &amp; Urban Real Estate Tax</th>
<th>Farm Land Occupation Tax</th>
<th>Land Appreciation Tax</th>
<th>Deed Tax</th>
<th>Sub-total revenue of the later six taxes</th>
<th>Total Revenue of all taxes</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>NA</td>
<td>NA</td>
<td>2.46</td>
<td>NA</td>
<td>NA</td>
<td>0.30</td>
<td>2.76</td>
<td>1877.94</td>
<td>0.15</td>
</tr>
<tr>
<td>1987</td>
<td>NA</td>
<td>NA</td>
<td>18.58</td>
<td>6.12</td>
<td>NA</td>
<td>0.44</td>
<td>25.14</td>
<td>1975.61</td>
<td>1.27</td>
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<tr>
<td>1988</td>
<td>NA</td>
<td>0.51</td>
<td>21.76</td>
<td>21.84</td>
<td>NA</td>
<td>0.68</td>
<td>44.79</td>
<td>2333.76</td>
<td>1.92</td>
</tr>
<tr>
<td>1989</td>
<td>NA</td>
<td>25.64</td>
<td>25.79</td>
<td>18.06</td>
<td>NA</td>
<td>0.93</td>
<td>70.42</td>
<td>2661.84</td>
<td>2.65</td>
</tr>
<tr>
<td>1990</td>
<td>NA</td>
<td>31.37</td>
<td>31.71</td>
<td>15.46</td>
<td>NA</td>
<td>1.34</td>
<td>79.88</td>
<td>2740.22</td>
<td>2.92</td>
</tr>
<tr>
<td>1991</td>
<td>NA</td>
<td>31.68</td>
<td>37.22</td>
<td>18.89</td>
<td>NA</td>
<td>2.14</td>
<td>89.93</td>
<td>2987.12</td>
<td>3.01</td>
</tr>
<tr>
<td>1992</td>
<td>NA</td>
<td>30.52</td>
<td>41.78</td>
<td>30.85</td>
<td>NA</td>
<td>4.07</td>
<td>107.22</td>
<td>3300.87</td>
<td>3.25</td>
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<tr>
<td>1993</td>
<td>NA</td>
<td>30.32</td>
<td>49.15</td>
<td>30.95</td>
<td>NA</td>
<td>7.00</td>
<td>117.42</td>
<td>4261.83</td>
<td>2.76</td>
</tr>
<tr>
<td>1994</td>
<td>680.23</td>
<td>32.53</td>
<td>60.26</td>
<td>36.90</td>
<td>0.01</td>
<td>12.94</td>
<td>142.64</td>
<td>5331.53</td>
<td>2.68</td>
</tr>
<tr>
<td>1995</td>
<td>869.38</td>
<td>33.65</td>
<td>81.67</td>
<td>36.21</td>
<td>0.27</td>
<td>20.19</td>
<td>171.99</td>
<td>6288.48</td>
<td>2.74</td>
</tr>
<tr>
<td>1996</td>
<td>1065.35</td>
<td>39.42</td>
<td>102.18</td>
<td>32.79</td>
<td>1.12</td>
<td>27.68</td>
<td>203.19</td>
<td>7463.84</td>
<td>2.72</td>
</tr>
<tr>
<td>1997</td>
<td>1353.42</td>
<td>43.99</td>
<td>123.93</td>
<td>33.94</td>
<td>2.53</td>
<td>36.00</td>
<td>240.39</td>
<td>8649.39</td>
<td>2.78</td>
</tr>
<tr>
<td>1998</td>
<td>1608.03</td>
<td>54.21</td>
<td>159.85</td>
<td>35.62</td>
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<td>65.35</td>
<td>319.30</td>
<td>9539.87</td>
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</tr>
<tr>
<td>1999</td>
<td>1696.53</td>
<td>59.07</td>
<td>185.53</td>
<td>35.14</td>
<td>6.81</td>
<td>105.93</td>
<td>392.48</td>
<td>10784.96</td>
<td>3.64</td>
</tr>
<tr>
<td>2000</td>
<td>1885.70</td>
<td>64.94</td>
<td>209.58</td>
<td>37.30</td>
<td>8.39</td>
<td>142.86</td>
<td>463.07</td>
<td>13180.81</td>
<td>3.51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9158.64</td>
<td>477.85</td>
<td>1151.45</td>
<td>390.07</td>
<td>23.40</td>
<td>427.87</td>
<td>2470.64</td>
<td>83378.07</td>
<td>2.96</td>
</tr>
</tbody>
</table>

**Note:**
1. The unit above is 100 millions Yuan RMB.
2. The amount of the revenue of House Property Tax and Urban and Township Land use Tax are not divided separately.
3. “Sub-total Revenue of the Later Six Taxes” is the sum of the revenue of the six taxes, which exclude business tax, because we can’t separate the business tax revenue derived from transferring the use right of land and sale of immovable property and, that derived from other taxable items.
4. The percentage is the quotient of sub-total revenue of the later six taxes over total revenue of all taxes.