

POLICY REVIEW

VAT cut will provide huge boost to economy

Various sectors to benefit from tax reduction that will also result in more foreign investment to tackle global downward pressure

By HU YONGQI
huyongqi@chinadaily.com.cn

Starting next month, China's massive reduction of value-added tax will take effect, with manufacturing sector VAT dropping by 3 percentage points from the current 16 percent, to lower burdens on enterprises and boost the real economy.

Transport and other sectors will pay 9 percent in VAT, instead of the current 10 percent. The measures will tackle downward economic pressure, help attract more foreign investment and upgrade the economy, experts and company management said.

The move was first declared by Premier Li Keqiang in his Government Work Report to National People's Congress deputies when the annual session of the top legislature kicked off on March 5. It is expected to cut 2 trillion yuan (\$297 billion) in taxes for more than 30 million enterprises in China.

The move was the sixth massive tax reduction since 2012. Details were released by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Thursday.

At a State Council executive meeting on March 20, the first after the two sessions, Li said the tax reduction was meant to increase the share of enterprises in national income distribution, so that they can offer more employment opportunities and have a more sustainable source of fiscal revenue.

Li said China has more than 100 million private enterprises and individual owners, accounting for 90 percent of the country's market entities, as a backbone for employment.

Multiple measures should be taken to reduce tax burdens on market entities, particularly private and small businesses to further stimulate market vitality and withstand downward pressure on economic growth, Li said.

“This year's tax reduction is massive in terms of tax volume and targets to reduce the pressure on manufacturing, the real economy and small and micro-sized enterprises.”

Shi Zhengwen, director of the Center for Research in Fiscal and Tax Law at China University of Political Science and Law

During his first inspection after the two sessions, Li visited the Ministry of Finance and the State Taxation Administration to see preparations for the VAT cut. He visited the ministry's division of value-added tax for the second time in three years on Thursday afternoon.

In 2012, China started a pilot program of replacing business tax with value-added tax in transport and six other sectors in Shanghai. Four years later, the replacement expanded to construction, real estate, financial and service sectors around the country.

On May 1 last year, the VAT rate for manufacturing was reduced from 17 percent to 16 percent, and transport and construction sectors saw a reduction from 11 to 10 percent. From May to December last year, 270 billion yuan was cut in value-added tax nationwide, with the manufacturing sector enjoying 35 percent of all VAT reduction, said the State Taxation Administration in January.

The upcoming VAT reduction will help promote the development of the real economy, especially for the manufacturing sector when the country faces new downward economic pres-

sure and uncertainties in the international scene.

For example, machinery producer Guangxi Liugong Group will see its VAT bills reduced by 121 million yuan this year, said Xinhua News Agency.

Zeng Guang'an, Liugong's chairman, told China Daily that a reduction in tax and fees can substantially lower the burdens on enterprises and improve their profitability and international competitiveness.

For Zeng, who is also a National People's Congress deputy, the 13-percent VAT rate for the manufacturing sector can also help improve the business environment for the real economy.

Working with the newly-adopted Foreign Investment Law, lower taxation can significantly attract foreign investors as part of further reform and opening-up, Zeng added.

Shi Zhengwen, director of the Center for Research in Fiscal and Tax Law at China University of Political Science and Law, said the 2 trillion yuan tax cut is part of a proactive fiscal policy.

Facing downward pressure, the government needs to strengthen adjustments with proactive fiscal policy to boost market vitality and give enterprises more confidence, he said.

“This year's tax reduction is massive in terms of tax volume and targets to reduce the pressure on manufacturing, the real economy and small and micro-sized enterprises, which are the pillar for the Chinese economy but now face difficulties,” Shi said.



SHI YU / CHINA DAILY

POLICY RESPONSE

Healthcare and education among key issues raised

By XU WEI
xuweix@chinadaily.com.cn

Several ministry-level departments, including healthcare, water resources and education, have responded recently to issues of public concern.

Health sector scams and fraud in crackdown focus



The National Health Commission said on Friday that a yearlong campaign has been launched to clamp down on scams and fraud in the healthcare sector.

The campaign, which starts this month, is jointly launched by the commission and another eight central government departments.

The commission said in a statement that the campaign will focus on illegal activities such as practicing irregularities, medical care fraud, overtreatment, and misleading commercials and promotions of healthcare products and services.

The authority also vowed harsh punishment for medical practitioners leasing their certificates, healthcare providers or pharmacies renting and trading such certificates, and those manufacturing and selling counterfeit drugs will face harsh punishment.

For those enticing and forcing patients to receive unnecessary

treatment, the national credit system for medical practitioners and facilities will mark down their wrongdoings and illegal activities, and make their information public.

Food safety in schools to be further strengthened

China has issued a new regulation on food safety at schools to further improve nutrition and health standards at campuses.

The new regulation, published on Thursday, was jointly launched by the Ministry of Education, the National Health Commission and the State Administration for Market Regulation.

As part of efforts to ensure food safety, school officials from kindergartens to high schools must accompany students during school meals, the regulation said.

Schools are also required to release details of food sources, suppliers and other information. Eligible schools and kindergartens can also establish a mechanism so that parents can eat with their children at campuses so that they could provide feedback over food safety and nutrition.

It also called for eligible schools and kindergartens to hire nutrition specialists to provide guidance to students. Schools should nurture healthy eating habits of students and step up monitoring and intervention to prevent malnutrition and obesity among students.

Under the regulation, food safety supervision departments must step up oversight over school food safety via regular inspections on and around campus and guide schools to carry out their food safety responsibilities.

The regulation, which will come into effect on April 1, is also aimed to



establish a risk prevention and control system on school food and enable better prevention, emergency response and coping with school food safety accidents.

Waiting time for patent reviews to be slashed

An official with the National Intellectual Property Administration said on Saturday that the country will cut the time needed for patent reviews by at least 15 percent this year to enable better protection of intellectual property rights.

Gan Shaoning, deputy head of the administration, said in a speech at the China Development Forum in Beijing that the review time for trademarks will also be reduced to within 5 months.

The authority will also step up IPR protection by optimizing the mechanisms governing IPR, pushing forward the development of a system for the protection, and expand channels for market entities to defend their rights, he said.

Groundwater resources to be better protected

The Ministry of Water Resources has urged greater efforts to prevent the over-extraction of groundwater in North China.

The ministry said in a statement on Thursday that local authorities and departments should step up coordination and ensure measures will be in place to prevent more over-use of groundwater in North China.

Areas faced with the problems must adopt water conservation measures across the board and adjust their crop structures in the agricultural sector, the ministry said.

Policy digest

Work report targets to be monitored for completion

The State Council has urged all-out efforts to complete development tasks and targets set in the 2019 Government Work Report in an executive meeting on Wednesday.

The meeting, presided over by Premier Li Keqiang, allocated tasks in the Government Work Report to different departments, and decided on time limits.

It also highlighted the importance of full implementation of the tasks within the spirit of staying highly responsible to the people and making the utmost efforts to complete the goals and tasks for social and economic development for the year.

Related government departments should come up with concrete measures to further reform and opening up, streamline administration, cut taxes and fees, refine the business environment and foster new growth engines, according to a statement released after the meeting.

The work and policies that have already been decided should be carried out as soon as possible, with funds delivered promptly, the statement said.

It is also important to gauge the reactions of businesses and the public to ensure the government work will deliver results that are clearly felt by the market entities, it said.

Different departments should also enhance coordination in work and policies, improve mechanisms for supervision and prevent any drifts from targets or negligence.

“We should stimulate the market vitality through effective implementation, boost the confidence of market vitalities, hold out against the downward pressure and maintain a stable economic performance,” the statement said.

Labor Day holiday to be extended to four days

The Labor Day holiday in 2019 has been extended to four days, from May 1 to 4, the State Council General Office said in a statement released on March 22.

The decision came after suggestions were made by deputies to the National People's Congress earlier this month to extend the holiday as part of efforts to boost consumption.

According to the statement, April 28 and May 5, two Sundays, will be workdays as part of the holiday adjustments.

The statement said that all regions and departments should prepare for the holiday adjustment, and adopt effective measures to ensure adequate transportation capacity, enhance tourist services, and increase product supplies.

The statement also called for proper work arrangements during the holiday period. Emergencies should be reported in a timely manner and be appropriately dealt with to safeguard a peaceful festival for the public, it said.



Reform of government services will be enhanced

The State Council has modified 49 administrative laws and regulations to further reform to streamline administration, enhance compliance oversight

and improve government services.

The modifications, which were announced on March 18 after a State Council Order was signed by Premier Li Keqiang, are also aimed to stimulate the innovation spirit and creativity of the market and the society.

Those laws and regulations include Flight Management Rules for Foreign Civil Aircraft, Sino-Foreign Cooperative Education Regulations and Implementation Regulations of the Import and Export Commodity Inspection.

A number of administration approvals, including the permits for foreign investors to operate in the international shipping services, were canceled. A regulation on the supervision of cosmetics is also modified so that the administration approval for the production of cosmetics and the health certification approval of cosmetic products will be incorporated.

In another change in regulation, businesses trying to deregister their business licenses will not have to publish a statement on newspapers about the deregistration.

The regulation on the implementation of the law on joint ventures using Chinese and foreign investment will also be modified to cancel an item stimulating that the duration of technology transfer agreements should be no more than 10 years.

Meanwhile, a number of items that required certification from authorities were also canceled. For parents trying to adopt children, they would no longer have to present certificates from their employers, residential communities or village committees showing that they do not have any children.