# Prop News: China's Long-Awaited Property Tax Might Finally be in the Cards

Ten long years ago, in 2011, China implemented a pilot tax program on the property industry, specifically in Shanghai and Chongqing. Since then analysts have called on the pilot to be expanded to other top-tier cities and areas such as Hainan province and Shenzhen city. Now after much delay, the media is reporting that this could be in the cards.

According to Reuters and Bloomberg – citing Chinese state media – President Xi Jinping recently "called for progress on [the] property tax" which is intended to move the needle in reducing "wealth inequality".

## Tentative Moves

Drawing from China Property News, which is run by the housing ministry, Reuters quotes Jia Kang, ex-director of the finance ministry-backed Chinese Academy of Fiscal Sciences, as saying: "China could consider conducting system innovations to expand the scope of property tax while moving forward with tax legislation as soon as possible".

This is part of the country's stated intentions to achieve "common prosperity" in the next thirty years, but critics and stakeholders in the region have been firmly against such moves, worrying that it will "erode property values or trigger a market sell-off". On the other side, it could curtail "rampant speculation" in the housing market.

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Nikkei Asia reports that new drafts of the legislation have been in the works since 2018. Earlier this year, they heard from experts who said, "that the introduction of property taxes may dampen housing prices in the short term, but in the long term, the move is not intended to regulate housing prices".

## Looking to Commercial and Capital Markets

Although the proposed tax focuses on residential real estate, it will naturally have knock-on effects for the commercial side of the industry including increasing the holding costs of real estate assets which a second Reuters report suggests will push housing stocks into the market and increase supply.

This could mean, they continue - quoting a "mid-size developer based in eastern China", that "developers will face a slowdown in the inventory digestion rate and cash collection, further pressuring their cash flow and stressing their liquidity".

Yahoo! Finance says developers in the country already have "total outstanding debt of 33.5 trillion yuan ($5.24 trillion)… equivalent to roughly a third of the country's gross domestic product (GDP)".

An economist at Sealand Securities told the media that the tax could mean people will instead "allocate their money elsewhere, in capital markets, benefiting companies".