

# The Feasible Implementation of Property Tax in the Process of Ownership in China

Chen Ningyan

International Business College, South China Normal University, Guangzhou, China

**Keywords:** Property tax in the ownership process in china, Property purchase restrictions, Real estate prices, Registered residents in shenzhen

**Abstract:** The house is of great significance in Chinese concept. Young people who are new to the first-tier cities are deterred by the high housing prices. Meanwhile the residents in the second and third tier cities have to face housing prices that do not match their wages. Controlling house prices plays an important role in the steady development of China's economy. Nowadays, China's way of controlling house prices is to restrict the purchase of houses. In the future, a combination of real estate purchase restriction and property tax in the ownership process are feasible to be promoted. The collection of property tax in the ownership process is mainly for the maintenance process. Taking Shenzhen as an example, the Shenzhen registered residents have a lot of knowledge of property tax in the ownership process and a relatively high degree of acceptance of property tax in the ownership process. This is the basis of the feasibility of the implementation of property tax in the ownership process. In the long run, property tax in the ownership process can effectively control house prices, make local governments get rid of the dependence on land finance, and promote the development of the real economy. At the same time, the property tax in the ownership process can also reduce the cost of enterprise leasing and crack down on real estate speculators.

## 1. Introduction

Since ancient times, Chinese people have had deep feelings about land. A fixed residence is what every Chinese person needs. So Chinese people are eager to buy houses. Because the house is of great significance to the Chinese people, some people in China can fight for their house all their lives, even if they have a 30-year mortgage. It is a deep-rooted concept of many Chinese people to get married and build up a family only when they have a house.

China's local development relies on land finance seriously. Some local governments in China take the income from real estate development as their economic pillar. China's land is state-owned, which means the Chinese government has a monopoly on land. China's land belongs to the government and is divided into residential land, commercial land, green land and so on. Real estate developers purchase the right to use the land. The use time of residential land is 70 years, and that of commercial land is 50 years. China's state-owned land system reduces the marketization of real estate and effectively controls house prices. The central government has implemented a purchase order in more than 40 key cities. Only registered residents in the local area can buy a house and be limited the number of houses to purchase. Here are the purchase restriction policies of several cities in China. In Beijing, single residents with Beijing registered residence can buy one house, and married residents can buy two houses. In Zhuhai, the local registered residents are restricted to three houses, and the non-registered residents are not restricted to buy one. In Guangzhou, residents who have no registered residence can buy a house for paying social security for five years. China has implemented housing restrictions in many cities. What's more, the property tax in the ownership process is the measure to control the house price.

## 2. The Feasible Implementation of Real Estate Tax in the Process of Ownership

In order to study the possibility of China's property tax in the ownership process implementation, it is necessary to explore the residents' understanding of the property tax.

Table 1 Number of Shenzhen Residents Sampled

	Sampling method and sample size
The first stage	The registered residence population of Shenzhen is about 5 million, and 500 people are taken as samples.
The second stage	500 people are sampled in proportion to the population of each district. 85 people in Longgang District, 65 people in Bao'an District, 40 people in Longhua District, 100 people in Nanshan District, 110 people in Futian District, 60 people in Luohu District and 40 people in other districts are selected.
The third stage	Then, the proportion of households with one, two, or three and more than three residential units, that is, 6: 3: 1, is sampled.

Table 2 the Specific Number of Residents Sampled (Unit: Person)

	Longgang	Baoan	Longhua	Nanshan	Futian	Luohu	Other Districts
One house	51	39	24	60	66	36	24
Two houses	26	19	12	30	33	18	12
Three and more than three houses	8	7	4	10	11	6	4
Total sample	85	65	40	100	110	60	40

Table 3 Questionnaire and Survey Results

	Degree of understanding for property tax			Acceptability of property tax		
	Very	Commonly	Not at all	Very	Commonly	Not at all
One house	23%	57%	20%	58%	32%	10%
Two houses	31%	56%	13%	36%	39%	25%
Three and more than three houses	43%	48%	9%	18%	29%	53%

Taking Shenzhen as an example, this research investigates Shenzhen residents with registered residence. China's registered residence population is 4 million 950 thousand, Longgang District 840 thousand, Baoan District 650 thousand, Longhua 410 thousand, Nanshan District 980 thousand, Futian District 1 million 70 thousand, Luohu District 620 thousand. Combination of Guangming New Area, Pingshan District, Yantian District, Dapeng new area and Shenzhen Shantou Special Cooperation Zone registered residents have a number of 380 thousand people according to figures released by the Chinese government. In addition, the data show that the housing ownership rate of urban households in China is 96.0%, 58.4% of households have one set of housing, 31.0% of households have two sets of housing, and 10.5% of households have three or more sets of housing. This research makes these numbers approximately equal to integers. First, 500 people are selected from 5 million people, then 500 people are selected according to the proportion of the population in each district. Finally, 500 people are selected according to the proportion of housing owned by families. In addition, other districts refer to Guangming New District, Pingshan District, Yantian District, Dapeng New District and Shenzhen Shantou Special Cooperation Zone.

From this we can see that the registered residents of Shenzhen have a relatively high proportion of property tax in the ownership process, which shows that the property tax in the ownership process has a mass basis.

According to the survey data analysis, the larger the number of houses, the less the residents accept the property tax in the ownership process. However, it is surprising that the residents who have two or more apartments accept the property tax in the ownership process. Because now there are fewer people speculating on real estate. Residents have more and more understanding of property tax in the ownership process, and the house has gradually returned to the residential property. It is possible for China to levy property tax in the ownership process in the process of ownership.

### 3. The Necessity and Collection of Property Tax in the Process of Ownership in China

China's property tax in the ownership process should be local tax. The government should put a property tax in the ownership process according to the different situation of each city. First, the

government can levy different tax rates in cities with different levels of development. For example, the property tax in the ownership process rate in Beijing can be higher than that in Zhuhai. Then, the government can tax the cities whose house supply is less than demand, but not the cities whose house supply is more than demand. Finally, the government can decide whether to levy property tax in the ownership process according to the local economic development and real estate prices.

The judgment of China's property tax in the ownership process is to limit the loan amount of the second house. According to the regulations on house purchase restriction, if a resident needs a loan to purchase a second house, the down payment ratio of the loan shall not be less than 60%. This system limits people's real estate speculation by increasing the down payment ratio of the second house. Additionally, the United States, Japan, Germany and other countries have implemented the property tax in the ownership process. The property tax in the ownership process system of these countries can be used as a reference for the establishment of China's property tax in the ownership process.

In order to implement property tax in the ownership process in China, experts must first enact relevant laws on property tax in the ownership process. The property tax in the ownership process system should be formulated by experts in real estate, law and macro policy. Then solicit opinions from the whole society to ensure the scientific and democratic formulation of property tax in the ownership process. China's relevant sovereign authorities should improve the supervision of the real estate market. China's relevant departments should supervise the implementation of the property tax in the ownership process system to avoid loopholes in the law and system.

Some experts believe that property tax should be levied on the houses developed and transferred after the designated date, while property tax in the ownership process should be exempted on the houses before that date. I don't think this is a good idea, because it will cause unfairness, and it doesn't control the house price from the root of the circulation of real estate. At present, China's property tax is mainly for the development and circulation process, and the taxes on the retention process are few. The property tax collected in the process of development and circulation mainly include cultivated land occupation tax, land value-added tax, stamp tax, urban maintenance and construction tax, etc. Moreover, these taxes are mainly borne by consumers. China's current property tax does not pay enough attention to the maintenance process. A perfect property tax should include the tax on the ownership of real estate, that is, the tax on families with more than one house or large housing square in a specific city.

#### **4. Long Term Impact of Real Estate Tax on House Price in China**

There are some difficulties in the implementation of property tax in the ownership process. China can set up a special government office to manage property tax, guarantee the collection of property tax in the ownership process and supervise the implementation of it. In order to curb house prices, China can adopt the policy of restricting purchase and property tax in the ownership process in parallel. Purchase restriction is China's current policy to control house prices. In addition, the property tax in the ownership, the development, circulation and retention process can control the house price more effectively. The proportion of Chinese residents' real estate in assets is about 70%, which is far from 30% in some developed countries.

The collection of China's property tax in the ownership process has been discussed by the government officers and citizens for a long time. If the property tax in the ownership process is levied, the house price will not change much in the short term, but it will further limit the house price in the long term. Property tax in the ownership process is an extension of the policy of limited purchase. The parallel purchase restriction policy and real estate expropriation can change the pattern of local fiscal revenue and reduce the dependence of local governments on land finance. At the same time, restricting house prices can reduce business costs and revitalize the real economy. Then, the property tax in the ownership process and purchase restriction policy can control the rich from occupying too many social resources and promote social equity and stable development. Finally, the levy of property tax in the ownership process can inhibit the behavior of real estate speculation and promote rational investment.

## 5. Conclusion

In the process of real estate ownership, it should not be borne by the consumers, but also by the real estate owners. When buyers and sellers trade in the second-hand real estate market, the property tax in the ownership process should be shared equally by both parties. The Levy of property tax in the ownership process can be decided according to the different situations of different regions, such as whether to levy property tax in the ownership process and grade-based property tax in the ownership process. The grades of property tax in the ownership process can be divided into 1%, 1.5% and 2%. The collection of property tax in the ownership process should be based on market pricing, supplemented by government pricing. The amount of property tax in the ownership process is mainly determined by the local market. Property tax in the ownership process can provide for tax-free housing area, such as more than 140 square meters to levy property tax. These can protect the interests of low-and middle-income people.

## References

- [1] Qiu Ke. Research on Improving China's Property Tax System-Based on Property Tax pilot in Shanghai and Chongqing. Anhui University, 2018.
- [2] Yin Zhou. Research on the Impacts of housing prices in China's Property tax- Take the Policy Experiments in Shanghai and Chongqing as Example. Central China Normal University, 2019.
- [3] Li Tingting. Simulated Experimental Study on the Impact of Property Tax on House Prices. Hunan University of Science and Technology, 2018.
- [4] Zhang Han. Research of the Influence of Property Tax on House Price- Take the OECD Countries for Example. Shandong University, 2020.
- [5] Wang Qiuwu. Research on the Impact of the Real Estate Tax System on House Price- A Case Study of Anhui Province. Anhui University of Finance and Economics, 2018.