

# RAISE IN EXPORT TAX REBATES TO BOOST FOREIGN TRADE

Adjustment complies with World Trade Organization rules and aims to ease burden on companies, real economy



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China's move to raise tax rebates on some exports is expected to ease the burden on the real economy and stabilize foreign trade growth to cope with complicated global scenarios, particularly trade frictions, according to analysts.

The State Council, China's Cabinet, has decided to adjust the nation's rebate policy by raising some rates and trimming the number of export tax brackets from seven to five, according to a statement released after an executive meeting presided over by Premier Li Keqiang on Oct 8.

It said the revised policy, which comes into effect on Nov 1, complies with World Trade Organization rules.

According to the statement, the rebate rate for all exports currently in the 15 percent group and some in the 13 percent group will be set at 16 percent. Exports that now receive

a 9 percent rebate will instead get 10 percent, while those receiving 5 percent will be bumped to either 6 or 10 percent.

In keeping with the past two decades, rebates will remain unchanged for goods that consume lots of energy, cause serious pollution and are resources oriented, it said. Products related to China's efforts to cut industrial overcapacity are also unaffected.

China is also simplifying the rebate system to improve efficiency. The executive meeting set a goal to cut the average processing time from 13 days to 10 by the end of the year, while companies with good records will receive rebates faster and more easily, the statement said.

In addition, it said, the authorities will promote paperless applications, while foreign trade service providers are encouraged to help small and medium-sized enterprises apply for export rebates.

China exported goods worth 11.86 trillion yuan (\$1.71 trillion) in the first three quarters,

## \$1.71 trillion

The value of goods China exported in the first three quarters, up by 6.5 percent from the same period last year

up by 6.5 percent compared with the same period last year, according to the General Administration of Customs. At the same time, imports and exports of goods increased by 9.9 percent to 22.28 trillion yuan.

The move to adjust rebate rates has been welcomed among export companies. Liu Mingfang, general manager of Hefei Rijin Electronics in Anhui province, said his company produces components for air conditioners and other electronic devices that are mainly shipped to clients in the United States and Europe.

Rijin's revenue in the first nine months

was about 20 percent lower than the same period in 2017. Last year, the company reported a twofold increase in year-on-year revenue growth.

This year's fall in revenue is "partially due to additional tariffs from the trade friction, because many of my downstream manufacturers were worried and planned to cut orders after new tariffs came into effect", Liu said. Increasing the rebate rates, even by 1 percent, will help exporters reduce costs, he said, adding that it was "the right time to make such an adjustment".

China introduced its export tax rebate system in 1985, focusing on coal, agricultural products and industrial commodities, with rates ranging from 3 percent to 14 percent.

The rebates are to refund exporters' indirect taxes, including value-added tax and consumption tax, according to Liu Xuezhi, a senior researcher with the Bank of Communications' Financial Research Center.

He said increasing the rates will directly

reduce the burden for enterprises and is in line with China's taxation reform to replace business tax with VAT.

The rebate system mainly refunds VAT payments, he said, adding that in the current circumstances of rising trade protectionism, the latest move by the Cabinet will make exporters better able to cope with external challenges.

Liu Xuezhi's comments were echoed by other experts, including Bai Ming, deputy director of the International Market Research Institute, part of the Chinese Academy of International Trade and Economic Cooperation.

The central government move benefits taxpaying companies at a time when their products face additional tariffs amid escalating trade frictions between China and the US, Bai said.

He said greater rebates can ease the pressure and help them survive during such friction.

### Policy digest

#### Market access measures to boost consumption



The State Council has unveiled a plan to unleash the potential of consumption with measures to further widen market access to several service sectors.

The plan, released by the State Council General Office on Thursday, maps out ways to remove barriers hindering consumption and further refine the policy system to promote the structural upgrading of consumption.

Market access for sectors such as tourism, culture, sports, health, eldercare and education will be widened to encourage public consumption, it said.

Business restrictions on tourism agencies established through joint ventures will be relaxed, and a development plan for yacht tourism will be rolled out, according to the plan.

The policy system will also be improved to boost development of the home rental market, promote the upgrading of vehicle consumption and spur green consumption.

The consumption on information technology will also receive greater support, with more policies set to be rolled out to support the consumption upgrading of wearable devices, drones and smart service robots, the plan said.

The development of traditional trade and business models will be encouraged, and eligible cities will receive support to develop a number of high-end pedestrian streets in line with international standards.

The government will work to build influential Chinese brands in key industries, the plan said, adding that efforts will be made to create a better credit system and further reform income tax and income distribution.

#### Action plan to shift bulk cargo from roads to rail, waterways

China aims to significantly increase the proportion of railway and waterway freight in its transportation structure, according to an action plan released by the State Council General Office on Oct 9.

The country will further supply-side structural reform in the transport sector and prioritize efforts to switch the transportation of bulk cargo from roads to railways and waterways in the next three years.

In 2020, the railway freight volume will

increase by 1.1 billion metric tons from that of 2017, while the waterway freight volume will rise by 500 million tons, the plan said. Meanwhile, the highway freight volume in coastal ports will drop by 440 million tons from that of last year.

The program will be mainly implemented in the Beijing-Tianjin-Hebei region and surrounding areas, the Yangtze River Delta region, and the plains of Shanxi and Shaanxi provinces. These regions are key to China's battle against air pollution.

To reach the goals set in the plan, China is expected to increase railway capacity, upgrade its water transportation system and better regulate highway freight transport.

The country will also encourage greater synergies between transportation models, especially road and rail transportation, as well as promote the use of new energy transport vehicles.



#### Cabinet vows to work toward report's shantytown goals

China will further promote the renovation of shantytown areas to ensure it reaches the goals set in this year's Government Work Report, the State Council decided at an executive meeting chaired by Premier Li Keqiang on Oct 8.

Between January and September, reconstruction work started on 5.34 million housing units in shantytowns, more than 92 percent of the annual target, according to a statement released after the meeting. The central government has helped more than 100 million people move out of shantytowns into new homes in recent years.

The government will work to ensure implementation of the three-year plan for shantytown renovation, as set in the Government Work Report, and has urged local authorities to quicken the pace of work while guaranteeing project quality.

The drive to offer monetized resettlement packages to shantytown residents will be canceled in cities and counties facing shortages in housing stocks or high pressure from home price hikes, according to the statement.

Local authorities have also been urged to evaluate their financial capacities and set tasks for next year's renovation, it said.

### POLICY RESPONSE

## Rural restrooms, ads in schools, fake foods placed under scrutiny

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Several ministry-level departments, including the ministries of agriculture and rural affairs, education, and public security, have responded recently to issues of public concern.

#### 'Toilet revolution' to be stepped up in the countryside



China will step up efforts to renovate toilets in rural areas, the Ministry of Agriculture and Rural Affairs said on Oct 9. It said it will prioritize work in areas including planning, selecting products, setting standards and refining the maintenance mechanism.

Han Changfu, the minister of agriculture and rural affairs, said it is important to promote the renovation of toilets suitable for farming communities. Such facilities must be simple and cheap to maintain, he said.

China launched its "toilet revolution" campaign nationwide in 2015, with the aim to renovate toilets in rural households, which are still often makeshift outdoor shelters.

Han said the ministry will encourage research and development of toilet models that can be applied in extremely cold areas or areas faced with water shortages.

**Warning over commercial activities on school grounds**

School and kindergarten nationwide have been ordered to stay away from any form of commercial advertisements and

activities, the Ministry of Education said on Friday.

The comment came after an incident in Heze, Shandong province, where students at a primary school were handed yellow caps and Young Pioneers' red scarves carrying ads for a shopping mall during an activity to promote traffic safety.

The ministry said the incident was "very bad in nature". It urged local authorities to draw lessons from it and take measures to prevent such ads and activities from entering schools and kindergartens.

It also called on local education departments to carry out inspections at schools and kindergartens to check for ads on students' textbooks, stationery, school buses and other objects.

The authorities should also set up systems that record and examine activities that allow organizations into schools, collecting information on the activity's subject, organizer and participants, and stopping those that are not related to the schools' educational functions, the ministry said.



#### Police campaign targets fake and low-quality food, drugs

The Ministry of Public Security has launched a national campaign targeting crimes related to fake or low-quality foods, drugs and agricultural supplies, as well as activities that harm the environment.

The three-month crackdown started on Wednesday and will target food containing banned additives, misleading advertisements, and counterfeit anti-



neoplastic drugs and medicines for chronic diseases such as high blood pressure and diabetes, the Ministry of Public Security said in a statement.

Efforts will also be increased to clamp down on the manufacture and sale of fake or low-quality pesticides, seeds, chemical fertilizers and other agricultural supplies, it said, adding that activities that damage the environment will also be targeted, including illegal mining, fishing and the disposal of pollutants.

Police nationwide have handled over 21,000 cases and detained more than 26,000 suspects related to such crimes this year, the statement said.

#### Regulation aims to prevent online money laundering

The central bank has rolled out a regulation that requires online financial institutions to increase efforts to prevent money laundering.

The regulation, released by the People's Bank of China and other departments on Wednesday, requires internet-based financial institutions refine the system to prevent money laundering and better identify their clients.

Online financial institutions have been urged to improve awareness of efforts to prevent money laundering and ensure the regulation is effective. They need to store data and materials for work related to money laundering and ensure each transaction can be traced.

Institutions are also required to report on large or suspicious transactions as well as establish monitoring systems, according to the regulation.