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SARS Cuts Tax Revenue

Shanghai Foreign Banks to Reform Foreign Exchange Business

Border Trade Tax Policy for 20 Commodities to be Abolished

SARS Threat to Tax Revenue

The SARS outbreak will lead to a loss of 20 to 30 billion RMB in China's tax revenue this year. This prediction is based on the possible impact that the disease will have on the economy and the government's efforts to reduce taxes and fees for some industries said the State Administration of Taxation.

With an aim to alleviate the financial burden of SARS-hit sectors, the Ministry of Finance and the State Administration of Taxation have decided to reduce or waive taxes on them. Last week, the two departments jointly issued a notice, saying taxes and fees, including business tax, levied on some industries such as tourism and hotels will be reduced or waived between May 1 and September 30.

In April, the two departments also announced the provision of preferential income tax policies for medical workers and those who donated money or goods for the prevention of SARS. In Beijing, for example, the local government has cut the business tax for cab drivers.

During the first four months of this year, the country's tax revenue stood at 707.7 billion RMB (US\$85.3 billion), an increase of 25.8 per cent compared with the same period last year, official figures show. The growth rate was 0.8 percentage points lower than the first three months. But an analysis of China's tax structure shows the disease will not have a very significant impact on the total revenue.

Presently, value-added tax and consumption tax, which make up more than 60 per cent of the total revenue, come mainly from the manufacturing sector. Business tax from tourism, catering and transportation, which was seriously hit by SARS, only accounted for a small share of the total revenue.

Customs duties and automobile purchasing tax, which made up 13.3 per cent of the total revenue in 2003, have also been little affected by the disease. On the contrary, fear of contracting SARS by travelling on public transport has prompted a number of people to buy their own car ahead of schedule. As a result, during the first quarter, car sales doubled and automobile purchasing tax rose year-on-year by 42.1 per cent.

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Shanghai Foreign Banks to Reform Foreign Exchange Business

Seventeen foreign banks in Shanghai received the go-ahead last week to initiate a series of reforms on a trial basis with respect to their foreign exchange business.

This is the first time such reforms have been undertaken in foreign-invested banks said the Shanghai Branch of the State Administration of Foreign Exchange.

Similar reforms have been carried out successfully in 15 indigenous banks, which strengthened the local government's resolve to open up its finance market. The 17 foreign banks include the HSBC, the Development Bank of Singapore, Citibank, the Standard Chartered Bank and others from the United States, France, Australia, Belgium and Malaysia.

The move is aimed at creating an environment for Chinese and foreign banks to compete on an equal footing after foreign exchange-related business is completely opened to foreign banks, the official said.

Border Trade Tax Policy for 20 Commodities to be Abolished

With the approval of the State Council, the General Administration of Customs has recently announced that the border trade import tax policy applied to 20 commodities under specific tariff numbers is to be abolished starting 1 June 2003.

The 20 commodities are: newsprint, cold-rolled silicon steel sheet, polyester film, cold-rolled stainless steel sheet, acrylic ester, dichloromethane, polyester chip, polyester staple fibre, non alloy hot-rolled sheet, non alloy cold-rolled sheet (coil), organic coated sheet, silicon-electrical steel, cold-rolled stainless sheet (coil), boric acid, paper pulp, copper ore and concentrate, copper profile, copper matte, lead, and zinc.

Source: www.tdctrade.com

[Taxation Terms](#)

增值税

"Zeng Zhi Shui"

(Value Added Tax)

增值税

"Ying Ye Shui"

(Business Tax)

消费税

"Xiao Fei Shui"

(Consumption Tax)

所得税

"Suo De Shui"

(Income Tax)

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