Research on the Relation between the Reform of Real Estate Tax and Land Transfer Fee

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Abstract: Land transfer fee and real estate tax system are compatible and mutually reinforcing. Both of them are compatible and mutually restrictive. The scale of local debt has a negative effect on land transfer fee and real estate tax revenue, but the reaction of local government debt to land transfer fee is less than that of land transfer fee to promote the scale of local government debt. The strong promotion of land transfer fees and the weaker suppression of real estate taxes have caused the expansion of urban scale to a certain extent. And the real estate tax in different links has a significant difference in the expansion of the city scale. The local government debt financing model based on land transfer fees has certain risks, and it is necessary to reduce the dependence of local government debt on land finance.

1. Introduction

In recent decades, real estate tax has always been a hot topic related to economic development and the vital interests of residents. With the deepening of China's housing system reform, China's economy has formed a pattern of over-reliance on real estate industry and over-reliance on land finance [1]. Because our country's urban land belongs to the state, the right to use urban land also belongs to the state. In order to obtain the right to use urban land, market participants usually need to participate in auctions, bidding or agreements [2]. Land price and taxation are two different economic categories. Tax is a public distribution category, and land price is a market category. The role of the two in social reproduction is completely different [3]. With the rapid economic growth, the process of urbanization construction in China is also advancing rapidly, and the achievements in urbanization have attracted worldwide attention.

The definition of land transfer fees is the income that local governments obtain from the transfer of state-owned land use rights in accordance with relevant laws. The land transfer fee has the nature of rent, and the land rent is the price of the production factor of land, which is determined by the demand and supply of land [4]. The transferor is entitled to receive rent based on the identity of the landowner. In China's current tax structure, the most directly related taxes on land and real estate include property tax, urban land use tax, cultivated land occupation tax, land value-added tax, and deed tax [5]. Urbanization absorbs a large number of rural labor force to transfer employment, improves the allocation efficiency of urban and rural factors of production, and promotes the sustained and rapid development of the national economy [6]. This paper makes a comparative analysis on the basis of real estate tax, land sale price or rent under different land ownership systems, and provides a reference for the reform of real estate tax and land transfer fee system in China.

2. Policy Effect of Substituting Land Transfer Fee

From the research content, the existing research has failed to explain the intrinsic relationship between land finance and local government debt. It is impossible to distinguish the difference between land transfer fees and real estate tax revenues on the size of local government debt. China's land transfer gold comes from the state's ownership of land, that is, land public ownership. Since the country of the dictatorship of the proletariat is also the representative of the whole people, it is also the state that represents the whole people to exercise ownership of urban land. This is the state
ownership [7]. Substituting property tax for land price is not necessarily beneficial to the development of real estate development industry in practice. Along with the advancement of housing system reform in China, urbanization in China has shown a trend of rapid advancement. Without the appreciation of land, the house itself is difficult to appreciate. With the passage of time, the house will continue to suffer from natural wear and tear. Generally, it can only depreciate.

At present, the land price is too high, which leads to the high cost of housing development, which is not conducive to the development of the real estate industry. Under the condition of mixed ownership of land, the government levies real estate tax as a social manager, relying on political power to meet public needs. The state of the urban land determines that the user must obtain the right to use the urban land to pay the rent to the right holder, and the “residual value” generated by the urban land used as the means of production after the use of the laborer shall be the profit or the total area. All the residents inside share it. The Land Administration determines the supply use and age of the reserve land according to the plan, and issues the land use right certificate to the local financing platform as a certificate for applying for a land mortgage loan from the bank.

3. The Impact of Land Transfer Fee on the Legal System of Real Estate Tax

The fundamental feature of a market economy is that social resources are allocated through market mechanisms. The replacement of land prices with property taxes is incompatible with the marketization of land resources allocation. Rapid urbanization requires a large amount of capital investment. After the tax-sharing system, the inter-governmental financial power continued to move upwards, and the power of the government moved down. China's land resources are limited, and local governments can sell less and less land. It is necessary to find a stable source of income for local governments. Property tax is the most potential local tax category among many taxes in China [8]. For real estate developers, waste of land has no effect on their development cost. The price of a house purchased before the property tax replaces the land price includes all the land price. When the property tax replaces the land price, the price will also exclude the land price [9].

Because of the property tax attribute of the real estate tax, it is a reasonable policy to levy tax on the stock housing [10]. On the one hand, the role of tax is to promote social equity. Taxation on the stock housing generally owned by the public also reflects the principle of equity to a large extent, and can also play a beneficial role in regulating the distribution of social income. The house is the main real estate of the individual, and the property held by the individual is one of the important manifestations of its possession of wealth and resources. As for the role of property tax in regulating the income gap, since personal income is affected by many factors, and the proportion of property tax in fiscal revenue is too low, it is not good to evaluate this role.

After the local government relies on the financing platform to raise huge amounts of funds, part of it is used for the cost of new land acquisition, and the larger surplus is used to improve the land acquisition infrastructure. Land transfer fees and property taxes are the means by which the government obtains fiscal revenue. The land transfer fee is the government’s income from the transfer of land use rights and has the nature of rent. Land is the basic material condition for the existence and development of human society. Land resources are not only the most scarce and limited area, but also immovable. In order for the working people to get rid of the exploitation of workers by capital, we must implement the social public ownership of means of production, that is, the ownership by the whole people and collective ownership. The practice of replacing land price with property tax and providing land to real estate developers without compensation not only excludes the optimum effect of market mechanism on the allocation of land resources, but also is not conducive to land saving and rational development and utilization.

4. Conclusions

Because of the mismatch between local government financial resources and expenditure responsibility, local government can only rely on land finance to support government expenditure, which also increases the proportion of land transfer fee in the cost of real estate developers. In view
of the fact that the current higher land transfer income has accelerated the expansion of the city, but also produced a series of social problems, we should constantly improve the land requisition system. Both the property tax and the land transfer system have the necessity of reform. If the property tax reform is only rolled out across the country, it will not only increase the tax burden of the residents, but also affect the development of various industries in the Chinese economy and reduce the level of employment. The prepaid land transfer fee should be calculated in the paid land transfer fee and deducted from the property tax to reduce the resident tax burden and help promote fairness.

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References


