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## **PROVISIONAL REGULATIONS OF THE PEOPLE'S REPUBLIC OF CHINA ON LAND APPRECIATION TAX**

[Note]=(Adopted at the 12nd Executive Meeting of the State Council on November 26, 1993, promulgated in Decree No.138 by the State Council of the People's Republic of China on December 13, 1993 and effective as of January 1, 1994)

### Full Text

Article 1 These Regulations are formulated with a view to standardizing the order of land and real estate market transactions, to reasonably adjusting the benefit from land appreciation and to safeguarding the rights and interests of the State.

Article 2 All units and individuals receiving income from the transfer of State-owned land use rights, above-ground structures and their attached facilities (hereinafter referred to as "transfer of real estate"), shall be taxpayers of the Land Appreciation Tax (hereinafter referred to as "taxpayers") and shall pay Land Appreciation Tax in accordance with these Regulations.

Article 3 Land Appreciation Tax shall be assessed according to the appreciation amount derived by the taxpayer on the transfer of real estate and the tax rates prescribed in Article 7 of these Regulations.

Article 4 The appreciation amount shall be the balance of proceeds received by the taxpayer on the transfer of real estate, after deducting the sum of deductible items as prescribed in Article 6 of these Regulations.

Article 5 Proceeds received by the taxpayer on the transfer of real estate shall include monetary proceeds, proceeds in kind and other proceeds.

Article 6 The deductible items in computing the appreciation amount are as follows:

- (1) The sum paid for the acquisition of land use rights;
- (2) Costs and expenses for the development of land;
- (3) Costs and expenses for the construction of new buildings and facilities, or the assessed value for used properties and buildings;
- (4) The taxes related to the transfer of real estate;
- (5) Other deductible items as stipulated by the Ministry of Finance.

Article 7 Land Appreciation Tax shall adopt four level progressive rates as follows: For that part of the appreciation amount not exceeding 50% of the sum of deductible items, the tax rate shall be 30%

For that part of the appreciation amount exceeding 50%, but not exceeding 100%, of the sum of deductible items, the tax rate shall be 40%.

For that part of the appreciation amount exceeding 100%, but not exceeding 200%, of the sum of deductible items, the tax rate shall be 50%.

For that part of the appreciation amount exceeding 200% of the sum of deductible items, the tax rate shall be 60%.

Article 8 Land Appreciation Tax shall be exempt under any one of the following circumstances:

- (1) Taxpayers constructing ordinary standard residences for sale, where the appreciation amount does not exceed 20% of the sum of deductible items;
- (2) Real estate requisitioned and repossessed according to law due to the construction requirements of the State.

Article 9 For taxpayers under any one of the following circumstances, the tax shall be assessed according to the assessed value of the real estate:

- (1) Concealment or false reporting on the real estate transaction price;
- (2) Providing false sums of deductible items;
- (3) The transfer price of real estate is lower than the assessed value without proper justification.

Article 10 Taxpayers shall report the tax to the local competent tax authorities where the real estate is located within seven days of signing the real estate transfer agreement, and pay the Land Appreciation Tax within the period specified by the tax authorities.

Article 11 Land Appreciation Tax shall be collected by the tax authorities. The department for land administration and the department for real estate administration shall provide the tax authorities with relevant information, and assist the tax authorities in the collection of the Land Appreciation Tax pursuant to the law.

Article 12 For taxpayers that fail to pay the Land Appreciation Tax according to these Regulations, the department for land administration and the department for real estate administration shall not process the relevant title change procedures.

Article 13 The collection and administration of Land Appreciation Tax shall be conducted in accordance with the relevant provisions of the Law of the People's Republic of China on Tax Collection and Administration and these Regulations.

Article 14 The Ministry of Finance shall be responsible for the interpretation of these Regulations and for the formulation of the rules for the implementation of these Regulations.

Article 15 These Regulations shall come into effect from January 1, 1994. The measures of different regions for the collection of land appreciation fees that contravene these Regulations shall cease to be implemented as of the same date.