China and the Coming of the Property Tax

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Life is full of daily rituals - be it going onto Facebook, the first thing each morning - which I ceased doing in December, 2010, after viewing 'The Social Network' (hey, it’s nice to discover that I am anti-social – and like it!); or going into the kitchen to retrieve that freshly brewed cup of coffee that the night before was automatically set to the time you would be getting up; or reading Google news' daily accumulation of Asia-based tax articles, which it seems I've been doing forever and ever and ever - and will likely continue as ritual as long as I live. From Google, I venture on to 7-10 daily newspapers which provide the bulk of information from which I extract various and sundry items that I eventually weave into either a Tax Analysts or Tax India International article. I’m honoured to be asked to take some of my writings and expand upon them for the international tax conference this December.

The 'real world' of news that I read starts with the China Daily. No, China Daily is by no means the best source for news about what is going on in the world but it is by far the best choice if you want to find out in English what the government wants you to know, be it official pronouncements or the so-called 'trial balloon' (i.e.: 'run it up the flagpole and see who salutes' variety - this was once known as 'Let 100 flowers bloom', in China and those who volunteered their flowers got their political stems cut off, fast!). Obviously, tax articles attract most of my attention....and after 11 years writing the Asian Tax Review, the daily research, followed by writing, has become a satisfying incurable addiction!

Are there 'run it up the flagpole' articles about taxation? Plenty, if you consider the fact that it is going to cost a small fortune to finance the government's urbanization goals. The problem the government seems to be discovering is that no one has quite figured out how it will be funded. Thus, the number two banner headline on page 1 of the July 15 China Daily, "Local governments face financing woes", was one that was worth my interest and it turned out to be one containing some surprising, in-depth statistics as well as some political commentary about how divisive an area this just might be within the country's confines of power.

Some statistics: year-on-year fiscal revenue growth for China was 24.8 percent for 2011 (over 2010). For 2012, growth rate took a very drastic drop to 12.7 percent. For the first five months of 2013? 6.7 percent.

Now, now, there are many of you, readers out there, located in jurisdictions where recession-like (depression-like, too) percentages make you ask why anyone is fretting about 6.7 percent year on growth for the first five months of 2013 but remember, so much of China's population lives in rural poverty that it was easy to forget about this population segment and the harsh statistics showing that their year-on-year growth percentage is definitely lower and while final amounts have not been published, might actually be showing an economic decline. To try to reduce rural dwellers, bring them from the countryside to the city, making them urban dwellers is current policy: 'Likenomics', given that name because of Premier Li Keqiang, who is, for all intents and purposes, the current economic czar. One other year-on-year/five month 2013 number re-affirms urbanization policy: while the country's growth was but 6.7 percent through the end of May, urban year-on-year growth through May, 2013 was 13.4 percent.

But why is urban fiscal growth twice that of rural China (if not more - I do not have the raw, statistical data available but my gut reaction is that I will be able to find the statistics to support that urban growth is more than twice that of rural China)? Land sales - primarily - that's why! According to China Daily, revenues from selling land during the first half of 2013 went up by 60 percent, to 1.13 trillion RMB. How does this impact the entire socio-economic strata of those living in the cities? And what happens when the cities run out of land to sell?

The cities have to put their urban dwellers to work. There might no longer be SOEs, the danwei and the iron rice bowl to cover the costs of people's lives and one result has been local investment in industry providing mass local hire. The plight of China's cities is exacerbated by the fact that over the years, cities of China have heavily invested in industries geared to outside demand which is no longer there. As a result, there is either overcapacity of unsold production or current cessation of business activity, causing both over-demand for current local social insurance resources and, perhaps, more importantly, a drop in tax revenues (which supports the social welfare system) because of the disappearance of the export market. Hey, what do you expect: you earn less, you pay less tax and obviously there is less for government to spend.....only governments have not stopped spending? Are government-owned companies in China 'too big to fail'? Are cities, themselves, too big to fail? The cities are pressuring the central government to bail them out - again. Will it happen? Probably - but I'd wager that it will be a 'selective' bail out - there'll be some failures in China.....enough for many who will feel the pain while the others get the message - but not enough to cause any social unrest. If there is a leader out there who can correctly forecast and implement that system of pain and pull it off with social stability, that leader deserves to be at the top of the heap - the 'supreme laoban'. Alas, I do not think anyone can fully pull it off. Bo Xilai tried this - we all know the results. Xi Jinping, Li Keqiang and five others compose the standing committee of the Politburo and assuming that these gentlemen wish to start upon a 'legacy' then look to what will be announced in November. Their program is based upon increased urbanization of China.

Current Beijing long-term policy plans call for 70 percent of the population of the country to be living in cities (both established and newly developed) by 2030. That's really not far away. Tom Holland discusses this in his South China Morning Post column of 14 August 2013. How are you going to transfer the rights and privileges of hukou (the local registration system) for approximately 230 million farmers and 250 million rural hukou holders to the cities? Where is the money going to come from to pay for schooling, medical care, etc.? The cities can't afford any additional burden now, so how will these goals be financed to fruition - especially since it has been widely estimated that it will cost approximately 48 trillion RMB between now and 2030: more than 5 percent of the country's current GDP? Tax is obviously the answer.

In 1979 when Deng Xiaoping, after consolidating his power base, started upon market economy reforms, the urban population of China was 19 percent. It was not much more, a half-decade later, when I first visited the country. Now? 51 percent of China's population is 'urban'. This is a remarkable, peaceful migration from the countryside to the city for a country with 23 percent of the world's population. I'm not sure it can adequately be described, either through pictures or by written word. I was here and experienced the flight to the cities which experienced sustained, long-term double digit annual growth over close to a 30 year period. Shenzhen now is home, arguably, to 14 million people. I was there when barely 300,000 people resided there, and I started living there when the population had expanded to 750,000. But for the future? How do you go from 51 percent to 70 percent during the next 20 years without sustained, double-digit growth in a country that is home to so many people? Damned if I know.....Lots a luck, guys!

Xi and Li propose a new form of urbanization for the future: Chengzhenhua, urbanization with emphasis upon building of new towns, rather than expansion of the current cities. Can it be done? The prior 'model' worked brilliantly for some locations (Shenzhen) while doing nothing for others (Shantou). This subject is covered in depth in a brilliant academic article by Gabriele Battaglia, "Beijing Readies for new Urbanization", in Asia Times Online. Current 'control' by the Central Government is limited, resulting in rampant municipal overbuilding at all costs and going far beyond the fiscal capabilities. Can these excesses be reined in? Alas, no. Financial reporting in China still leaves much to be desired. The accounting profession has been 'separated' from the tax profession, with the Ministry of Finance creating the Certified Tax Agent in China because they could control from the start - and hopefully maintain a better semblance of transparency in tax, if not accounting - professional actions and ethics. Ethics be damned when you are the accountant auditing the local township company that employs virtually all of your town. Are you seriously going to consider accounting ethics if it is going to end any hope of employment in your area? Can new towns be subject to new, enforced taxation and procedures that cannot currently be enforced elsewhere? It is definitely worth a try, as are all proposals worthy of consideration if you want to do something that no one else has ever done while figuring out a way to finance it. China has 31 provinces, 333 prefectures, 2,858 counties, 40,858 townships and 'an unknown number of villages' according to Ms. Battaglia. Surely some have been already overbuilt with housing, infrastructure, market facilities, etc., which the government will use as part of incepting new towns. All of this is a lofty plan but, once again, how will it be financed?

Battaglia quotes Ou Ning, a writer heading the Anhui Province based Bishan Commune, a social experiment linked with China's newly revived 'rural reconstruction movement’. Ou states:

> *The aims of chengzhenhua are good, however ... given that the peasants are a weak class, they should be helped by public sources. A report of the Ministry of Finance says that in order to transform the peasants into citizens you need to find resources of 1.8 trillion yuan. That's an astronomical figure. Where will this money come from?*

On 14 August, Zhu Zhongyi, Vice President of the China Real Estate Industry Association, at the Bo'ao Real Estate Forum in Sanya (on Hainan Island, the Chinese Hawaii) stated that before the year is out - most likely at the annual Beijing Party Conference in November - the government will introduce 'long-term mechanisms' to stabilize (i.e., deflate, rather than burst, the real estate bubble) Chinese real estate. "The mechanism will not only adopt economic means such as taxation and credit policies to regulate the market, but it will also create policies to improve the housing and land supply systems."

Current methods of real estate price stabilization, including the 'so-called' real estate tax of Shanghai and Chongqing, have not curtailed speculation. A long-range, long-term, urban financing, tax and fiscal policy plan must be started if the massive migration to existing cities or becoming a pioneer of a 'new town' is to become a reality over the next generation.

Zhu stated in his opening remarks at the Forum that issues regarding municipal fund raising (i.e. taxation alternatives to selling land or expecting over-production industries to be able to finance local government and its programs), supervision (an anti-corruption/due diligence mechanism had better become part of this or it simply will not work), planning, construction, quality-control and distribution of low income housing to those for whom there is no current housing (you want to bring in half a billion people to the cities as legitimate residents - then you've got to do something about housing them), will be part of the upcoming 'official announcements' but that the country had better realize that establishment of these 'mechanisms' will take years. That final statement, concerning 'years', is the most refreshingly truthful foresight mentioned in any of the press about these –matters. Things will happen here in the development of taxation to meet the needs of an urban China - but it's going to take some time...

While I expect an initial 'framework' regarding the reformation of the tax system to be announced this year, I also expect that the 18 June South China Morning Post article suggesting that there will be some form of property tax - presumably similar to those in place in Shanghai and Chongqing (which will likely be renewed and become an annual excise tax-like assessment) - introduced in Beijing, Hangzhou and Guangzhou, this year.- This is not because these municipalities are bankrupt, but instead because the real estate bubbles in these cities are starting to get 'beyond control' and tax is once again seen as a way to slow things down. And insofar as those cities that have run out of land to sell (i.e. Shenzhen) expect some serious tax experimentation to take place a whole lot sooner than anyone would imagine. If the central government deems Shenzhen too big to fail, it really had better start some more tax 'experimentation' there, soon!

Tax reform in November.....

Writing culture in journalism can be so different between neighbouring cultures. The press in India often publishes short, one-paragraph articles in areas where one would hope for in-depth coverage. The English language Chinese press generates 'complete' articles - that one paragraph article in China is rare, indeed! The press in China, when there is in-depth coverage, generally serves as a spokesperson for the government. Thus, the 7 page China Daily article entitled 'China banking on tax returns to help transform its economy' was, in fact (although one can't truly 'prove' it), the government telling us what it wanted us to know.

In March, when the new cabinet was introduced, three areas of focus were announced as its agenda. First on that list was tax reform. Taxation in the PRC came into being after the Cultural Revolution. In 1978 the country made its entrance into the national problems of revenue and expenditure, setting up a system of delegating taxation powers to the lower levels of government, receiving negotiated amounts from the provinces (which, in turn, got its coffers filled from the local governments within the province), in order to conduct the necessary affairs of the central government. The local governments had autonomy over virtually everything else. How much did Beijing get from this trickle-up system of finance, without any 'controls'? It simply boggles the imagination to think of all that money siphoned off to corrupt beneficiaries before getting to Beijing. Now, of course, the funds are trickling down...

Things changed dramatically at the end of 1993 with the introduction (effective, January 1, 1994) of what was, in essence, the first national tax act of the People's Republic of China: a six page document, upon which volumes of rules, amendments and regulations have been added over the past 19 years.

The 1994 tax act clearly delineated the division of responsibilities. Local governments were now responsible for provincial and municipal-level infrastructure, development, urban constructions, and local cultural, education and healthcare programs.

A dozen taxes - tariffs, consumption and VAT, enterprise income tax amongst them - were all now part of the national tax collection process. Conversely, approximately 20 tax items, including business tax, individual income tax, urban land use, vehicle and stamp tax, were the responsibility of the local governments to collect and spend. There was only one major problem with this division: the central government was now taking in 60 percent of the revenue, while the local governments were spending 60 percent of all expenses. A system of transfer payments had to be instituted.

Why now?

As per China Daily's in-depth article: "To accelerate the transformation of its economic growth model away from a reliance on exports and investment and toward consumption, local governments must have a motive to do so, and reforming the tax system could do the trick. In other words, the present tax system is no longer able to provide enough impetus for economic development." In 1993, before the national tax act, local governments collected 78 percent of all tax revenue and spent 72 percent of all tax expenses. Then came the tax act and now, prior to the national VAT replacing the local business tax, China is facing a scenario where local governments take in only 52 percent of all tax revenue but are responsible for 85 percent of all tax expenses.

The 18th Central Committee of the Communist Party of China will hold its Third Plenary Session in November, after the 'mini-mass-migration' of people visiting their home towns during the National Day (1 October) holiday week festivities has subsided and life returns to 'normal'. China is ‘closed’ this first week of October. It is a perfect time for people to travel back to their homes: perfect weather, with high speed rail drastically reducing travel time. The housing complex where we reside in Guangzhou is so quiet and tranquil right now, as I write this, because of the holiday – I love it!

The Central Committee meetings come right after the Bo Xilai 'theatre-absurd' trial and the new leaders not only have to re-structure the tax system for the future, but also set the mechanisms in place for greater transparency. The cities are in trouble - they've spent what they don't have. Will they be bailed out? Will there be a selective bail out, saving some while letting others fail? Zhang Guangtong, Vice-Dean of the School of Taxation, Central University of Finance and Economics, is quoted in the article: "The bankruptcy of Detroit is a lesson for the Central Government. During the country's stage of rapid development, serious bubbles emerged in the economy in the form of real estate, surplus capacity and local government debts. Once any of the bubbles burst, the results would be catastrophic, Tax reforms are needed to contain such bubbles." Some jurisdictions, some SOEs are going to have to fail, if for no other reason than setting up a 'new policy' of no more bail outs in the future will likely mean that there'll be 'permitted' failures and selective bailouts just to get things started.

There will have to be changes in the distribution of tax revenues and expenditures between central and local governments. Controls are needed to prevent rampant abuse in those faraway places that would otherwise escape the current levels of scrutiny coming from Beijing. This will need to be combined with determining how to develop new local taxes while reducing local reliance upon selling of land use rights. Can the Xi regime make a viable start toward this lofty goal? While I'm sure that I'll be able to give you an answer, face-to-face, at the conference in December, I think that Xi will be effective. He's consolidated power, bringing party elders to his side in the Bo Xilai case. Was Bo any more corrupt than any of the top echelon in China? Probably not. Hu Jintao was squeaky clean but Wen Jiabao's family, if you read the New York Times (not China Daily in cases like this), has amassed a fortune.

Xi and Li? Who knows? Yet I find that irrelevant. It took princelings (sons of the party elders) to get rid of princeling Bo. It was all about politics and control. Xi apparently has that control and is using it. Zhou Yongkang, 'retired' Politburo standing committee member, mentor of Bo Xilai, is now being investigated. Zhou's other 'protégés' are being invested, too. This is a show of political force. Why? Because Xi has the power and the political acumen to gather support to do this - primarily as a message to those below. Inroads against corruption must be made and transparency of new tax reforms must be enforced to prevent the current degree of corruption. If Xi and Li are to have a successful decade of leadership and leave a legacy of change, then no one will question the legitimacy of single party rule. If not? Who knows??? Hu knows!

China Daily, on September 25, in a brief article, called for introduction of unified real estate registration in China. This is important! It would be the first step in developing national standards for a location valuation tax, i.e., a property tax. It would be a major step towards limiting commodity speculation involving multiple home purchases throughout the country. At a conference held in Beijing at the end of September, attended by approximately 100 real estate academicians and professionals, government spokespersons for the first time officially called for a national registration system to protect property rights. Currently, real estate, including land and resources, housing, urban-rural development, agriculture and forestry, is registered through a multitude of national and municipal departments, with absolutely no coordinated control. Is this a pre-cursor to future implementation of a national property tax system to control resources? Has this concept even been thought out?

Zhao Xiaoqian, director of the China Law Counsel Center, stated that a system of registration would safeguard transactions and improve credibility. A Vice minister of Land and Resources (unnamed but referred to in China Daily) stated that China would resolve real estate registration rules by June, 2014. Although it is far easier said than done, the fact that this concept is finally being discussed is a step in the right direction.

Real estate in China is rapidly on the rise. Is it truly a bubble? Is it a hybrid of speculation plus true demand for residence? How different is real estate in China than elsewhere? Let us simply assume that it is a hybrid of all of the above and that whatever measures have been implemented during the past couple of years seem to have generated little impact. Hong Kong has impact with its stamp duty: while prices have not dropped (the mentality of housing commodity traders seems to be that prices may never go up but they will not go down, either). Yet official statistics (as per the 18 September FT) show that residential property prices in the three biggest cities (Beijing, Shanghai and Guangzhou) have jumped 20 percent, year-on-year for the month of August in spite of current restrictions on speculative buyers.

We know that developers are buying land contracts and are stockpiling their holdings - as long as their financial backers are not worried about holding this non-producing 'inventory' and there is no annual tax on these stockpiles, then the developers are not concerned. How long will this last? Speculators in the country, while still in the luxury market, are turning to the mass market residential properties and churning prices for these properties, creating a bubble for this type of property as well as the luxury market. And when restrictions are enacted in the tier one cities, the speculators have not hesitated to trickle on down, and now turn to the fourth and fifth tier cities for short term investment. Who's to stop them when there is no method of tracking who is buying what, thereby negating the one (or two) home ownership policy?

Come November, when the CCP meets and more specifically lists not only its short term goals but the initial methodology of implementation, property is going to be a very big issue. Social, political and economic stability remains the emphasis of keeping people satisfied - at least, this is what the governmental hierarchy feels. Maintaining stability will rest primarily on the new policies of November. Theese may be 'broad' policies, but they will nonetheless be an outline for implementation.

Yet national registration simply is not going to come about without a really big fight – and it is going on as you read this. National registration will not develop without a fight, and this is happening right now. There is substantial local opposition to either registration or a ‘real’ property tax. Yet the pressure from above, coming from Xi, Li and the remaining 5 on the standing committee of the Politburo, I believe, will be 'triumphant' in bringing about tax change: there is basically no alternative. In May, according to the Wall Street Journal (25 June 2013) 69 of 70 cities showed substantial year-on-year market price increases. 66 of the 70 showed increases in August....price curtailment? Ha! Maintaining an affordable level of housing prices in China is an essential aspect of maintaining the fabric of social stability which the rulers of the country so desperately need – especially after the Bo Xilai 'incidents'.

Dragonomics, in a 26 September feature article by Tom Miller, 'What Happens When the Land Runs Out?' emphasizes redevelopment of rural construction land within the cities as the 'favored' local alternative to the national policy, instead of development of property taxation as an alternative. This is, in essence, no change from current policies of selling land leases, but it won't work in the long run. As the cities have expanded, they have surrounded villages, changing the face of that village to 'blending in' with the neighboring, all-encompassing city. In the past, municipalities in China simply expropriated, auctioned and developed without any form of plan or goal: medium or long term municipal planning was not on the agenda. This is no longer feasible as China, with more than 20 percent of the world's population, cannot go below a minimum of 120 million hectares of land to cultivate the food necessary to feed its population and maintain self-sufficiency. How much of this village land is still agricultural? How effective are the controls currently in place to maintain agricultural acreage? In 2011, 323,000 hectares of cultivated land were lost to urban construction, bringing the national area of cultivated land to 121.7 million hectares.

'Pure' rural land cannot be part of the growth equation because it is needed for food. Yet already 'urbanized' land within the cities that are still 'villages' can be redeveloped. Miller makes the point of emphasizing new policies (incentives?) necessary to persuade urban villagers to leave their homes for redevelopment. How do you legislate fair market value without adequate enforcement measures, including appeal procedures that work? What about granting urban hukou as an additional enticement. And where will you displace those who have to move in order to have urban redevelopment? What will be future policy in this area - will it be announced in November?

When you've got a city like Shenzhen where urban villages make up more than 40 percent of the built up area, urban redevelopment of villages within is obviously feasible. However, once again, this is something far more easily said than done. Until such time as villagers are assured of receiving their fair market value (which still does not happen 'frequently enough' to pacify villager fears of being robbed), there will be a hesitancy to sell. Then there is the fact that many of Shenzhen's villages consist of densely packed, 10-15 storey housing complexes already housing both migrant workers and dwellers who paid for their apartments, albeit in a grey market area. This market area is 'grey' because ownership is of questionable legality. Where do you re-house these potential victims of urban redevelopment? Shenzhen has problems of developed areas that are more than the shanty towns of other cities which fall within the concept of urban redevelopment. Baishizhou, in the middle of an upper middle class area of Shenzhen, has an estimated 140,000 residents of which only 20,000 hold hukou and even more astounding, only 2,000 are actual members of the original village collective. While Baishizhou's housing is not up to the standards of the surrounding community, neither is it 'slum dwelling', and if those

2,000 village owners are to get their fair market value upon sale, then how will Shenzhen get adequate revenue from land sales? While alternative sources of rural redevelopment and construction land will undoubtedly be one aspect of municipal revenue, it alone will not be sufficient for the future. China's property developers already hold substantial land they've leased but have not yet developed. While the developers will fight it, at some stage, this undeveloped property is going to be taxed.

So, where are we now? To summarize this essay, thus far: the traditional methods of raising revenue in order that the city support itself will not be the same in the future. Municipal industry is costing the cities, now, because of the worldwide depression. And yet, the only certain revenue tool, the one to overcome municipal industrial loss, has been the sale of land leases. But what happens when the land runs out? Rural redevelopment within the cities will provide construction jobs, but will this bring in municipal revenue?

Premier Li Keqiang's urbanization policies envision growing new cities as well as expanding and regenerating old ones. It is based upon the premise that maintaining stability in an urban area is easier than doing so in the countryside, where all 'successful' revolts in Chinese history have been incubated. To keep city dwellers happy, both urban services must be provided, and housing--the Chinese dream--must be attainable to the urban resident.

In other words, housing policy and tax policy not only have to be developed, but also implemented. So what is the government's housing policy? Roselea Yao is the Dragonomics PRC housing specialist. Her 18 September Dragonomics essay covers the options open to the central government.

Over the past decade housing supply in China could not keep up with demand. Now, overall, 'reliable' statistical information suggests that it is approaching balance and is in potential danger of turning to oversupply. Well my friends, long ago and far, far away, when I was a university student (over a half century ago!), the most useful text I had was 'How to Lie with Statistics". Statistically, there may very well be a current total housing construction in the country equal to current demand for housing but I maintain that when you enter both dwelling size and quality of construction into the equation, the cost of buying an apartment is simply inaccessible to the urban middle class and that migrant workers coming to the cities cannot even afford the sub-standard rental housing available to them.

Last night, my wife and I dined, outdoors, at a new restaurant within a new development in Guangzhou. The food was great, the October, autumn night was 'sublime'. We inquired about the costs of a dwelling there (as we, too, would be interested in upgrading, if we could afford it - after 23 years of living in China, my dream is the Chinese dream, too - and why shouldn't I have upgrade aspirations??!). We were told that the cost would be RMB100,000 per square meter!!! We were also told that there are very few owners in residence but that those units rented were available at 'bargain rental prices'. No, I am not doing investigative journalism - I don't care who purchased these units but the cynic in me wonders just how legal the money used to purchase these units really is?

Guangzhou is a tier one city. True, tier four and five cities will not have those RMB100,000 per square meter units for sale but I'd bet they already have an oversupply of high priced, empty dwellings available for which there are non-performing loans on bank records. There is current housing supply in China - at a price. There is housing demand in China, too: are migrant workers and middle class housing aspirations being met? Sadly, no. Thus, as Ms. Yao states, the central government has its present conundrum: "The government can either redouble its efforts to meet demand for low-income housing through direct public-sector provision of subsidized housing, find a new way of incentivizing private-sector developers to provide this housing, or abandon its high-profile campaign to suppress upgrading demand." What about taking over and administering much of the overbuilding after the bank loans have been called in?

It is not going to be a choice as much as a hybrid of options presented. I believe that government policy, which will be announced a month from now, 'interpreted' through the end of the year (I expect to find a lot of 'interpreting' at the mid-December conference in Xiamen!), and implemented over a long period of time is what we will be discussing in Xiamen. Some long term planning is called for, now. True, it will be embellished in the future, yet a basic framework is called for and is going to be announced.

And an urban tax that has impact? It will take time. A generation or two of tax and housing policy changes in China is not even a blip on the radar screen of Chinese civilization. Long term policy will be set by the central government in spite of local resistance.

I expect to see a national land registration in China announced in November. I'd be surprised if it were not announced. While I never expect to see a change in culture away from treating land as a commodity to be bought and sold with speculation frenzy, new limitations will also be announced. Shanghai and Chongqing, with their limited wealth tax upon expensive property, will be joined by other cities. Only what will be incepted elsewhere will not be an exact duplication of the taxes imposed in Shanghai and Chongqing on property. There'll be limited derivations of a location value tax (aka property tax) elsewhere in China, with successful new tax programs eventually adopted on a national basis (not to mention the local head of government who thought of and implemented the successful new tax from rising rapidly within the national Party hierarchy!).

While pressure from local government and regional interests, combined with the politicking of developers to keep their inventory of undeveloped land off of the future roster of property subject to tax, is strong at the moment, over a period of time the political pendulum will swing in the opposite direction (with a faster swinging if the urban middle class gets frustrated too fast, about having the ability to buy a home) and the landlord of the future will not be deposed/executed, yet at some point, he'll pay real estate tax. I truly believe that a far more encompassing property tax, closer to a true location value tax than elsewhere, will come to China during the next half century. Merryn Somerset Webb, in an essay about this 'perfect tax' in the 27 September 2013 FT, said: "Once the initial valuations have been done, it is phenomenally easy to collect and all but impossible to avoid. It also discourages speculation and stops in its tracks the endless cycle of investment in land and property purely to rent it out."

National registration comes first. I fearlessly predict it to be mentioned in November, and I will either gloat about this prediction or wipe egg off of my face in Xiamen!

There will be a 'real' property tax in China in the not too distant future for no other reason than the pure and simple fact that the cities need money and there will ultimately no other alternative for them. Urban land redevelopment can only last so long before those funds run out, too. Will I be correct? Ask me later: I certainly hope to be around over the next 50 years to see what happens next - and what happens after that!