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Abstract

Housing affordability is a concern around the world. People are complaining that high property prices are beyond their means. Australia and China have different political systems. The former has a western democratic system while the latter has a communist/socialist system. Despite the difference in political ideology and economy, the people in both countries are complaining about the problem of high property prices. There are many factors for high property prices. High property taxes and fees are alleged to be a major suspect for causing high property prices.

The paper attempts to examine the property taxes and fees for residential development in these two countries. Sydney in Australia and Wuhan in China are chosen as case study cities. The property taxes and fees in these two cities are examined and compared. It is found that property taxes and fees account for a substantial portion of property prices in these two cities. Housing affordability can be enhanced if the relevant governments are determined to reduce the amount of for property taxes and fees.

Introduction

Housing is one of the basic needs of the people. Yet it is also one of the major social and political problems in all countries. Obviously, countries with bigger population have more demand for housing. One can easily appreciate the housing problem facing populous countries, like China, India and USA, etc. However, the problem also appears in countries with relatively smaller population, such as Australia, New Zealand and Singapore, etc. There are many factors for housing problem, such as population growth, land supply, economy, interest rate, employment opportunity, income level, availability of finance, capacity of the construction industry, government regulations and policies, property taxes and fees, etc.

Property taxes and fees are financial burdens imposed by a government on property developers, owners or occupants. Property taxes are levied for a number of reasons including raising income for government, for public purpose, for provision of infrastructure to a development/community, or even for land use planning (Needham, 2000). Charges to fund infrastructure for a particular development or community is known as 'Infrastructure Contributions' in Australia (UDIA, 2003 & 2008), 'Infrastructure Charges' in the UK (Hodge & Cameron, 1989), and 'Development Impact Fees' in the USA (Skaburskis, 1990).

In this paper, property taxes and fees for residential development in China and Australia are studied. Two case study cities, Wuhan in China and Sydney in Australia, are chosen for examination. Through the study, it is expected to find out the similarities and differences in property taxes and fees in countries with different level of development and political systems. In this study, China – a socialist development country; and Australia – a capitalist developed country are being examined. Wuhan in China and Sydney in Australia are the chosen case study cities for analysis. It is not intended in this paper to explore the issue of equity of the taxes and fees.

Property taxes and fees in China, focused on Wuhan

Property taxes and fees in China are collected by the central and local governments. All property taxes go to the central government, while all property fees go to the local governments. Taxes are prescribed by law and apply uniformly across the country. There are 14 property taxes in China (State Council Development Institute, 2005). Ten of them, listed below, are payable for property development, and account for about 15% of house prices (Zhu, 2008).

1. Business Tax
2. City Land Use Tax (for local investment enterprises only)
3. City Maintenance Construction Tax
4. City Property Tax (for foreign investment enterprises only)
5. Corporate Income Tax
6. Cultivated Land Occupation Tax
7. Education Fee Addition
8. Land Capital Gain Tax
9. Property Tax (for local investment enterprises only)
10. Title Deed Tax

Unlike taxes which are prescribed by law, property fees are imposed by local governments as they think fit. As can be seen from below, property fees are an important source of revenue. Local governments are happy to introduce various fees to increase revenue. In the extreme case, there are over 100 items of property fees in certain cities (Zhao, 2009). Against the large number of fees, local governments also find it difficult to think of a name for new fees, some of them simply charge a

bizarre fee known as the “unforeseen fee” (Jia, 2008). On the average, there are over 50 items of property taxes and fees administered by 25 government departments. The various fees account for about 15 – 20% of house price (Zhu, 2008). Altogether, property taxes and fees account for at least 30% of the total house price (Feng, 2009).

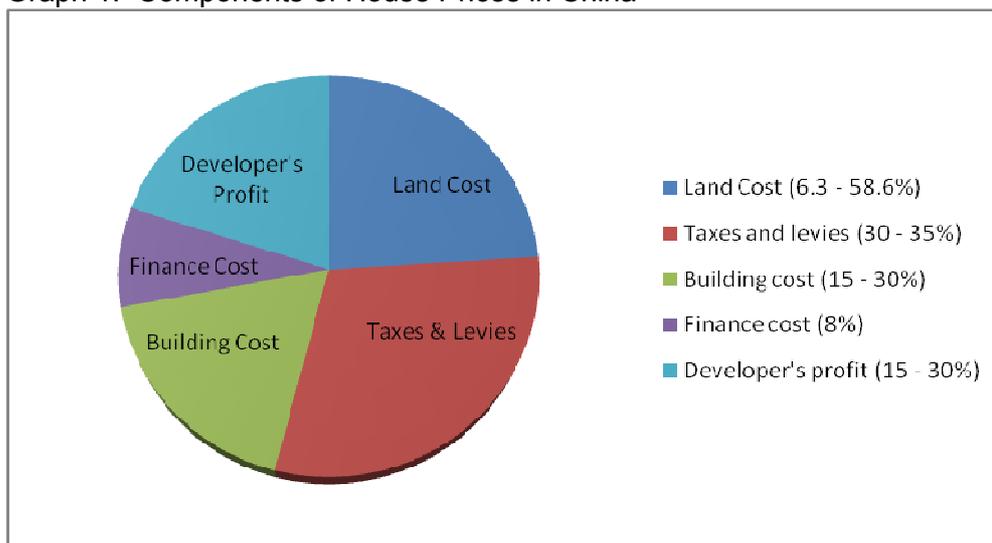
In China, the state owns all urban land and rural collectives own all rural land. Rural land needs to be converted into construction land by the urban government before any development can commence. The conversion process involves compulsory acquisition of the rural land and rezoning it for the relevant redevelopment (Chan, 1999). After the conversion, the land becomes state land. The relevant urban government then transfer the land use rights (LURs) to developers for various developments after the payment of a fee known as the ‘LURs transfer fee’.

Apart from property taxes and fees, the LURs transfer fee is the major revenue for the local governments. As this payment is collected by the government, people in China often treat it as part of property taxes and fees. Since it is actually the land cost, it is excluded from the property taxes and fees study in this paper. According to a recent survey of 620 residential development projects throughout the country by the State Land Ministry, land cost ranges from 5.3% to 58.6%, with an average of 23.6%, of house price (Wu, 2009).

On the whole, the LURs transfer fee, in conjunction with various property taxes and fees, constitutes a substantial portion of the total revenue of local governments. For example, in 2007, the Chongqing government collected over RMB 40 billion from property taxes and fees, more than 50% of the city government’s total revenue in the year (Zhou, 2008).

Other components of house price include construction cost (about 15% - 30%), developer’s profit about (10% - 40%), and finance cost (about 8%) (Jia, 2008 & Modern Express News, 2007). Based on the above information, the components of house price in China, including the case study city Wuhan, could roughly be presented in the chart below:

Graph 1: Components of House Prices in China



Obviously, property taxes and fees on the whole have the largest share of house price. Wuhan is chosen as a case study city and the property taxes and fees there are cited for analysis. It is selected because it is neither a tier-1 nor tier-3 city, yet it

has a fast growing economy and rapid urban development. It is believed that its moderate position can provide an unbiased picture of property taxes and fees of residential development in China.

Wuhan City

Wuhan is the capital city of the Hebei Province. It lies at the east of Jiangnan Plain, and the intersection of the middle reaches of the Yangtze and Han River. It is the most populous city in central China. The city's land area is 8,494km² supporting a population of about 8.5 million.

Figure 1



(Source: Wikipedia, 2009a)

Wuhan is strategically located with equidistance of 1000km away from other major cities such as Beijing, Shanghai, Guangzhou and Xi'an. It is well known as the "thoroughfare of nine provinces" for having dozens of railways, roads and expressways passing through the city (Wuhan City Government, 2009).

Wuhan is an important functional centre for economy, trade, finance, transportation, information and technology, and education in Central China. There are 52 higher educational institutions including the well-known Wuhan University, and Huazhong University of Science & Technology in the city. It has modern manufacture industry with optic-electronic information and automobile manufacture as the key components. Steel manufacturing, new pharmaceutical sector, biology engineering, new material industry, environmental protection are also major components. Big enterprises such as the Wuhan Iron & Steel (Group) Co. and Dongfeng-Citroen Automobile Co., Ltd settle in this city (Wikipedia, 2009a). The outstanding performance in the optical industry has earned the city the name "Optical Valley of China". Wuhan is now the largest laser equipment production base in China and is the third largest optical fibre producer in the world. It is also among the top 5 in the world in optoelectronic R&D capability (JLL, 2007).

In terms of city competitiveness, Wuhan was ranked No.10 in competitiveness of scale in the "China's City Competitiveness Report No. 5" (GUPC, 2007). The GDP in 2008 was ranked No. 13 out of 337 cities in the country at RMB396 billion (about US\$58 billion) (TJCN, 2009). It is identified by JLL (2009) as one of the 15 tier-2 cities among 40 rising urban stars in the country. Table 1 below provides a snapshot of property prices and rents in Wuhan; figures from Shanghai are also included for comparison.

Table 1 Real Estate Prices and Rents in Wuhan and Shanghai

City	High End Residential Price US\$/m ²	Grade A Office Rent US\$/m ² p.a.	Retail Rent US\$/m ² p.a.
Wuhan	1184	94	615
Shanghai	6,198	377	2,581

Source: TDZ Research, 2009(a) & (b)

High end residential properties are generally occupied by wealthy residents or expatriates. For the ordinary people, they occupy relatively cheaper houses. In 2009, the average new house prices in Wuhan and Shanghai were RMB4,905/m² (US\$718/m²) (TDZ Research, 2009a) and RMB18,736/m² (US\$2,743/m²) respectively (Wolai Property, 2010). From the above figures, it can be seen that property prices and rents in Wuhan are only a fraction of those in Shanghai.

However, it does not mean that property taxes and fees are less in Wuhan. There are 57 items of property taxes and fees for property development in Wuhan; they summarised in Table 2 in Appendix 1.

The large number of property taxes and fees worries not only foreign investors but also local investors. While property taxes have a legal background, the fees are entirely at the discretion of local governments. Certainly a substantial number of the fees is based on legitimate reasons, the rest is less obvious. A quick look at Table 2 reveals that some items are irrelevant to property development or overlapped.

For example, the Health Supervision and Epidemic Prevention Fee, Garbage Services Fee, Termites Prevention Fee, Commercial Concrete Transactions Service Fee, Unpacked Cement Special Funding, Provision of Street Lighting Fee, Different Land Greening Fee, Local Education Development Fee, Non-staple Food Prices Balancing Fund, Embankment Works Construction and Maintenance Management Fee, etc. should not be charged at all; as they are not related to property development or that the services provided are within the normal duty of the government.

Besides the irrelevant items, there are a number of overlaps among other fees. For instance, the Project Quality Supervision Fee and Project Quality Supervision and Management Fee, Safety Technical Services Fee and Construction Safety Technological Services Fee, Education Fee Addition and Education Development Fee, etc. are repeated items.

The high tax and fee charges easily lead to the allegation that they are created out of the greed of the government. The allegation may have some footings but does not point to the core of the problem. The main reasons are that local governments are only able to raise small amount of revenue via other channels. Taxes and fees on property development are found to be a very good means to raise large amount of revenue and enhance local economy. There is one drawback to raise revenue in this manner; property taxes and fees are one off payments made during the development process. Under the current property taxation system, there is no requirement for the payment of an annual ad valorem tax such as council rates, land tax or property tax. The lacking of a recurring income from property forces local governments to focus on charging high LURs transfer fees, taxes and fees from property development to raise revenue to provides services, infrastructure as well as running the government.

In addition to the above, there is a lack of effective control and/or supervision from the central government or the public. Regarding to public supervision, it should be noted that it is non-existent in China at the moment.

Property Taxes and Fees in Australia, focus on Sydney

Housing affordability in Australia is in a very poor condition. The 5th Annual Demographia International Housing Affordability Survey 2009 reports that there are 64 “Severely Unaffordable Housing Markets” in the countries under survey; and Australia accounts of 24 of them (Cox & Pavletich, 2009, Table ES3). The appalling condition, to a substantial extent, is caused by property taxes and fees. The following quotes highlight the problem:

“Australia is perhaps the least densely populated major country in the world, but state governments there have contrived to drive land prices in major urban areas to very high levels, with the result that in that country housing in major state capitals has become severely unaffordable, with Median Multiples of eight in Sydney and seven in Melbourne” (Cox & Pavletich, 2008);

“It is hard to believe that between 20 and 35 per cent of the purchase price for a new house and land package is indirect taxes” (HIA, 2003, p. (i));

and

“Government continues to divest itself of cost and risk. Cost and risk is shifted from the federal to state level, from the state to local level and from all three levels to the initial new homebuyer (via the developer), whilst the GST collected during the development process accumulates consolidated revenue for the Commonwealth” (UDIA, 2008, p.2).

It can be seen that property taxes and fees are also a big issue in Australia. At the federal government level, the taxes affecting property development include Income Tax, Capital Gain Tax (CGT), and Goods and Services Tax (GST); these taxes apply throughout the country. Individuals and companies are subjected to different income tax rates. Personal income tax is collected on a progressive rate basis while company tax is at a fixed rate. Historically, the highest personal income tax marginal rate was at 75% in 1951 and company tax at 49% in 1986 (Reinhardt & Steel, 2006). Today the tax rates have been reduced to 15% - 43% for person income tax and 30% for company income tax.

CGT, implemented on 19 September 1985, is a tax on the capital gain made on disposal of any asset. The tax is charged at the marginal tax rate of the tax payer. If the land is sold not as an asset but for profit in the business of trading in property, like the business of a developer, then normal income tax applies. The profits are subject to normal income tax. For casual developers, the sale of land may be regarded as a disposal of an asset and CGT applies. The tax rate is at the marginal income tax rate of the taxpayer.

GST, introduced on 1 July 2000 and generally calculated at 10% of the selling price of the real estate, is imposed on the seller; the cost is normally passed to the buyer under the contract (Blake Dawson & JLL, 2008). As GST is a consumption tax, the burden is on the end user.

Land tax and stamp duties are collected by the state or territory government. In NSW where Sydney is situated, land tax is based on the unimproved value of the land. The charge is \$100 (US\$90) plus 1.6% of the land value between the threshold (A\$368,000 or US\$331,200) and the premium rate threshold (A\$2,250,000 or US\$2,025,000) and 2% thereafter (OSR NSW, 2009a).

In NSW, stamp duties are payable for transfer of a dutiable property. The rate of duty chargeable is based on a progressive scale. If the property value involved is more than A\$1 million (US\$900,000), which is the case of the majority of residential development, the top rate is payable at A\$40,490 (US\$36,440) plus A\$5.50 (US\$4.95) for every A\$100 (US\$90), or part, by which the dutiable value exceeds A\$1 million (US\$900,000) (OSR NSW, 2009b).

The revenue from property taxes in recent years is shown in the table below. Between 2002 and 2008, there was a 15.38% increase in Commonwealth government revenue, or an annual increase of 2.4%. The state government revenue had 47.85% increase, or an annual increase of 6.7%. The local government revenue had 40% increase, or an annual increase of 5.78%. Clearly the state governments have the largest share.

Table 3 Revenue from Property Taxes

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
COMMONWEALTH GOVERNMENT						
Taxes on property	13	13	14	14	15	15
Total taxation revenue	194 827	209 560	229 131	245 223	261 988	285 672
STATE GOVERNMENTS						
Taxes on property	14 166	16 683	16 045	16 911	19 841	20 944
Total taxation revenue	36 418	40 394	41 655	44 233	48 903	53 130
LOCAL GOVERNMENTS						
Taxes on property	7 224	7 671	8 183	8 710	9 386	10 116
Total taxation revenue	7 224	7 671	8 183	8 710	9 386	10 116
ALL LEVELS OF GOVERNMENT						
Taxes on property	21 395	24 358	24 234	25 627	29 232	31 041
Total taxation revenue	238 118	257 253	278 568	297 730	319 762	348 316

Source: ABS, 2009 (Note: Exchange rate: A\$1 = US\$0.90)

In addition to property taxes, developers need to pay infrastructure contributions to local and state governments. Except the federal taxes, there are no uniform rates for other property taxes and fees in the country. Unlike China, development land in Australia is mainly in private ownership, the government gets very little revenue from land sales. However, the government is blamed for pushing up land price because of the urban consolidation policy and the tardiness in releasing greenfield land for development via zoning or rezoning, in addition to the high property taxes and fees (UDIA, 2008)

Sydney is the case study city chosen for analysing the various property taxes and fees.

Sydney

Sydney is the largest city in Australia, although it is not the capital of the country. Its urban area covers 1,687 km². The 2006 census reported that about 3.65 million residents lived in the urban area; Inner Sydney was the most densely populated place in Australia with 4,023 inhabitants per km² (Wikipedia, 2009b).

Sydney is the commercial and financial centre in Australia and provides about for 25% of the GDP in the country. The Australian Securities Exchange, the Reserve Bank of Australia and the headquarters of 90 banks are located in Sydney. More than half of Australia's top companies, and the regional headquarters for around 500 multinational corporations are also established in Sydney.

There are 6 public universities in Sydney, including the Sydney University, which was the oldest university in Australia (Wikipedia, 2009b).

Figure 2



Source: Wikipedia, 2009b

The 5th Annual Demographia International Housing Affordability Survey 2009 reports that Sydney is one of the 'Severely Unaffordable Housing Markets' with a median

multiple of 8.3 (Cox & Pavletich, 2009, Table ES3). The median house price as at September 2009 was A\$610,500 (about US\$550,000) (Gora, 2009).

In regard to property taxes and fees in Sydney, UDIA (2003) has identified the charges shown in the table below.

Table 4 Fees, Taxes and Charges on New Residential Development in Sydney

Land Development	Building
Developer Infrastructure Contributions: <ul style="list-style-type: none"> - Major Roads - Drainage - Public Open Space - Sewer and Water Headworks - Recycled Water - Community Facilities - Roads and Transport Levy - Stormwater Retention - Land Restoration Clearance Fees <ul style="list-style-type: none"> - Water Corporation - Council - Land Titles Office - Electricity - Development Assessment Commissioner GST on Development Costs	Council Fees and Charges: <ul style="list-style-type: none"> - Building Permit Levy - Training Levy - Kerb Deposit - Water Corporation - Development Application Fees - Long Service Leave Levy - Compulsory Home Warranty Insurance GST

Source: HIA, 2003, p. 15.

It should be noted that Table 4 does not include charges for council rates, stamp duties and land tax and State Infrastructure Contributions.

The Developer Infrastructure Contributions are also known as 'Section 94 contribution'. Local councils are authorised by section 94 and 94A of the Environmental Planning and Assessment Act 1979 to demand the payment of contributions to provide, maintain and enhance amenity and service delivery within the area. Each local council may prepare contribution plans that it thinks fit. Table 5 below shows an example of part of a contribution plan for residential development in Camden local government area, the whole plan is too much for inclusion in this paper.

Table 5 Standard Contributions of Camden Council

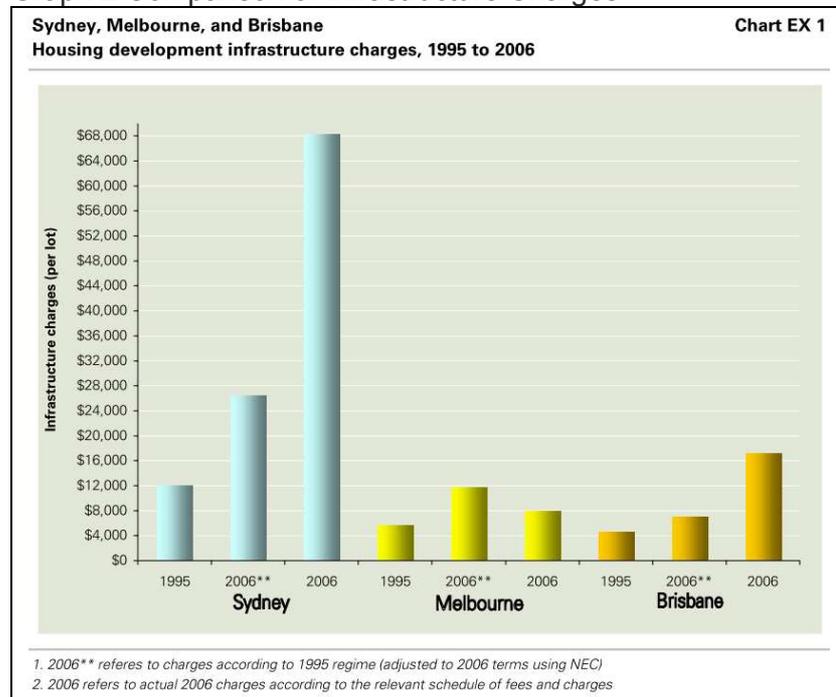
Components	Rate per Lot or Dwelling		
	Residential	Rural Residential	Medium Density
Community & Recreation Facilities	\$7,744	\$7,053	\$5,496
Administration	\$344	\$344	\$344
TOTAL	\$8,088	\$7,397	\$5,840

Source: Camden Contributions Plan (amended July 2004)

Apart from local council's infrastructure contributions, developers also need to pay State Infrastructure Contributions which cover recovery of train, road, bus subsidies, land for education, health and emergency service facilities, conservation and planning delivery. The State Infrastructure Contributions apply to the growth centres in Sydney and a few other prescribed areas. The infrastructure levies can amount to \$66,000 or about 30% of the sale price for a single vacant block of land that is zoned for residential development (DoP, 2008).

In fact, Sydney has the highest infrastructure charge among the major cities in Australia, see Graph 2 below.

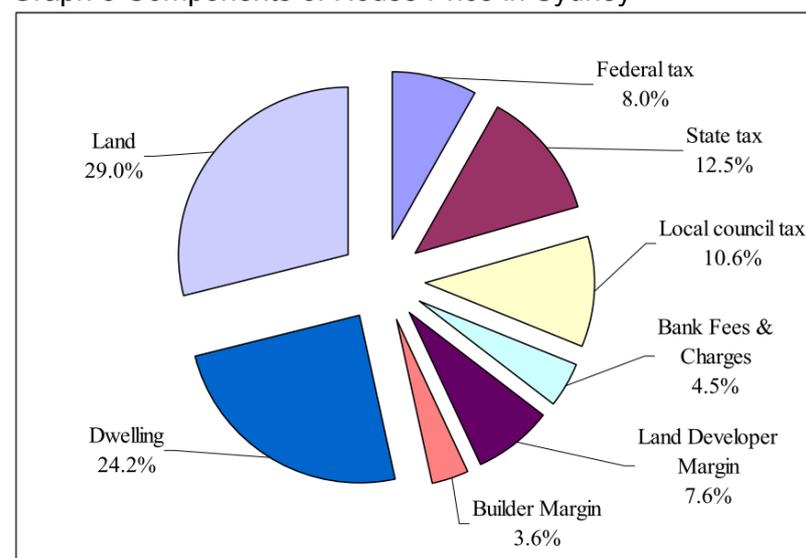
Graph 2 Comparison of Infrastructure Charges



Source: Urbis, 2006

Coupled with the federal taxes, land tax, and stamp duties, etc., the total cost of property taxes and fees amounts to 20% – 35% of house price (UDIA, 2003), and is eventually passed on to home purchasers. The following graph shows the various components of a typical new house and land package in a large Sydney greenfield development.

Graph 3 Components of House Price in Sydney



Source: HIA, 2003, p. 16.

Comparison of Property Taxes and Fees in Wuhan and Sydney

From the above, it can be seen that both Australia and China impose heavy taxes and fees on residential property development. In comparison, China has more items of property taxes and fees than Australia. The property taxes levied by the Chinese central government are higher, 15% versus 8% by the Australian federal government. The following table contrasts the property taxes in both countries.

Table 6 Property Taxes in Both Countries

China	Tax Rate	Australia	Tax Rate
Business Tax	5% of real estate sales turnover	Capital Gain Tax	At marginal tax rate of tax payer. Not payable if sale of property is for profit in the business of trading in property.
City Land Use Tax	RMB 0.5 – 10/m ² x taxable land area	Company Income Tax	30% of taxable income
City Maintenance Construction Tax	7% of Business Tax payment	Goods and Services Tax	10% of sale price
City Property Tax	Annually 1.2% of standard property value, 1.8% of standard land value, etc.		
Corporate Income Tax	25% of taxable income		
Cultivated Land Occupation Tax	Actual area occupied x prescribed standard tax rate from RMB1 – 10/m ²		
Education Fee Addition	3% of Business Tax payment		
Land Capital Gain Tax	Progressive rates at 30%, 40%, 50%, & 60%		
Property Tax	1.2% of remaining value of property		
Title Deed Tax	3% – 5% of transaction price		

The table shows that Corporation/Company Income Tax and Capital Gain tax are the only two kinds of tax in common. In Australia, developers do not pay Capital Gain Tax if they are in a business of trading in property and they need only to pay the normal Company Income Tax. This is not the case in China. China does not have a Goods and Services Tax. In Australia, GST and Company Income Tax have major impact on developers Karantonis (2007).

Business Tax is unique to China. It is a tax on the proceeds of property transactions. It is a 'double-dip' as developers are required to pay Corporate Income Tax as well. All other taxes in column 1 of Table 6 are unique to China.

In China, domestic developers and foreign developers are taxed differently; i.e. local developers pay Property Tax and City Land Use Tax, whereas foreign developers

only need to pay City Property Tax. Australia does not have a separate property tax for foreign developers.

As for property fees, China is clearly the winner by having the largest number. The large number of charges is administered by 25 government departments, far more than those in Australia. The income from the large number of property fees outweighs the property taxes. In Wuhan, the ratio is 20% to 15% of house price. In contrast, state and local taxes (i.e. fees) in Sydney account for about 23% whereas the federal tax accounts for 8%. Altogether property taxes and fees in Sydney account for about 31% of house price. It is slightly lower than the 35% charged in Wuhan. There is one thing in common in both cities, i.e., most of the property fees are required to be pre-paid, adding extra problems to the cash flow of developers.

China does not have a local council administration system. The fees listed in Table 2 therefore apply to the whole of Wuhan City covering an area of about 8,500km². In contrast, the Sydney metropolitan area has 38 local councils; each of which has its own infrastructure contribution plans and developers have to make sure that they clearly understand the provisions of the plans. Developers in Wuhan, however, enjoy a higher degree of uniformity in the charges across the city. The property fees in Sydney are prescribed on contribution plans. Developers at least know for sure how much to pay for a development in a particular council area. In Wuhan, a number of the charges are based on agreement. There is less certainty for developers.

Changes to reduce the burdens

People in Sydney and Wuhan blame the high property taxes and fees for being a cause for high property prices. In Sydney, property taxes and fees can be up to A\$150,000 (US\$135,000) per block of resident land. The condition is so worse that some developers even threaten to stop developing because they cannot sell properties at the resultant high price (Sunday Chesterton, 2007). In response to the negative public opinion, the NSW state government has taken the following steps to reduce the fees:

1. increase the state government's contribution towards infrastructure;
2. allow payment of state levies to occur before the transfer of title from the developer to the purchaser;
3. for the provision of infrastructure as works in kind through developer agreements, the developer will receive an infrastructure levy credit which can be used to offset future contributions, or be traded to other developers.
4. councils are limited to charging a maximum contribution of A\$20,000 (US\$18,000) per dwelling unless approved by the Minister for Planning for a higher contribution.

(DoP, 2008)

In China, the central government realises the pressing need to reform the property taxation system. So far, no concrete steps have been taken in this regard. There are only rumours that action will be taken shortly.

Conclusion

Property taxes and fees are an important source of revenue to the governments disregarding the political system. The high property taxes and fees verify that there is a policy in both countries to pass on the duty of providing services and infrastructure to new home purchasers. An examination of the charges in the case study cities reveals that the levies account for over 1/3 of house prices. While people may complain about the great tax/fee grab that constitutes high house price, it is unrealistic to believe that if the relevant governments were to remove the property

taxes and fees, then house price would drop by 1/3. Nevertheless, a substantial reduction in charges may help stabilising house price or at least slowing down the pace of price escalation. It certainly contributes to enhancing housing affordability.

In regard to reducing property taxes and fees, public opinion is an important consideration to a democratically elected government. It has seen the NSW state government taking steps to reduce the charges. Although the changes may not please everybody, it is an important step in the right direction. In contrast, there is great discontent among the Chinese people; yet there are still talks, not actions, in China.

While it may be true that the governments are greedy and there is a lack of effective control and supervision of property taxes and fees, the major problem in China is the over reliance on land sales, property taxes and fees to raise revenue. Local governments need a recurring venue to provide services and fund new and maintain old infrastructure. At present, after purchasing the property, owners have no legal duty to pay annual ad valorem property tax or fees like council rates and land tax in other countries. Since the recurring revenue is not available, local governments have no alternatives but to continue relying on land sales, property development taxes and fees to raise revenue.

While an annual ad valorem property tax base may be the way out, China at present simply lacks the establishment of a reliable property valuation framework to support the new property taxation system. Besides, the government needs to face the resistance from existing property owners who claim that they have already paid their share via the high tax and fee contents of the property price. The central government cannot simply order local governments to reduce the charges without giving them another means to raise the necessary revenue. Until there is a satisfactory reform to the land taxation system, the problems in China are going to continue in the foreseeable future.

Table 2 Wuhan City Real Estate Development Taxes and fees

	Tax/Fee Name	Collecting Department	Authorised by	Charge standards and Calculation	Remarks
Preliminary Stage Fees	Land Use Approval Fee	City Town Planning and State Land Department	Hubei Province Prices Administration Real Estate (HPPARE) Circular 165 [1994]	RMB 6/permit	
	Newly Acquired Land Survey Fee	- Ditto -	Hubei Province Prices Administration Fees (HPPAF) Circular 130 [1992]	Under 10mu, RMB 0.3/m ² ; 10.1 to 100mu, RMB 0.2/ m ² ; Over 100 mu, RMB 0.1/m ² ,	
	Town Planning Inquiry Fee	- Ditto -	Hubei Province Prices Administration Housing Service (HPPAHS) Circular 146 [2002]	Land use inquiry- RMB 0.5/m ² (Land area), Construction planning Notification RMB 1.2/m ² (building area)	Pay according to agreement
	Land Registration Agency Fee	- Ditto -	HPPAHS Circular 180 [2002]		Pay according to agreement
	City Infrastructure connection Compensation Fee	- Ditto -	HPPAHS Circular 178 [2002], Hubei Province Finance Circular 95 [2002]	Based on building area: RMB 80/m ²	Collect on behalf of government
	File Management Services Fee	City Construction Archives Office	HPPARE Circular 177 [1999]	Pre-payment of RMB15000/item, maximum payment RMB 120,000	
	Wall Materials Development Special Fund	City Walls Reform Office	HPPARE Circular 218 [1998]	Country and county area, based on building area: RMB 6/m ²	
	Public Fire Fighting connection Fee	City Town Planning and State Land Department	Hubei Province Government Development Circular 170 [1995], HPPAF Circular 220 [1998]	RMB 1.5, 2, or 3/ m ² × Building area	Collect on behalf of relevant department
	Safety Technical Services Fee	City Safety Unit	HPPARE Circular 75 [2002]	Urban and suburban areas: 2% of the building cost	
	Removal of Old	City Civic	State	RMB1200/m ²	Based on

	Civic Defence Facility Compensation	Defence Office	Development Circular 98 [1984], Wuhan Civic Defence Committee Circular 4 [1992], HPPAF Circular 304 [1996]		the area of civic defence works to be removed
	Civic Defence Reconstruction on Different Land Fee	City Civic Defence Office	HPPAF Circular 304 [1996], Wuhan Government Circular 125 [1999]	Under 7000 m ² , based on building area: RMB18/m ²	
	Coordinates Demarcation Fee	Survey Office of City Town Planning and State Land Department	City Prices Administration Standard fees (Charge Permit 26-203)		Pay according to agreement
	Planning Red Lines Positioning and Examination Fee	Red Lines Office of City Town Planning and State Land Department	State Survey Development Circular 03 [1994], Building Regulation Circular 205 [1994], State Survey Finance Circular 3 [2002]		Pay according to agreement
	Health Supervision and Epidemic Prevention Fee	City Health Supervision Unit	HPPAF Circular 256 [1996]		Pay according to agreement
	Examination of Project Documents Fee	Construction Design Technical Examination Department	Wuhan Price Administration Real Estate (WPARE) Circular 17 [2003]	For projects above RMB 50 million, 0.24% of the project estimate amount	
	Examination of Construction Design Plan Fee	- Ditto -	- Ditto -	For projects above RMB 50 million, 0.4% of the project estimate amount	
	Examination of Earthquake Resistance Design Fee	Examination of Construction Project Design Office	- Ditto -	For projects above RMB 50 million, 0.16% of the project estimate amount	
	Garbage Services Fee	City Town Management Department	Wuhan Government Circular 65 [1997], Wuhan Government Circular 268 [1995]	Processing fee: RMB 12/m ² , Removal Fee EMB 6/m ²	
	Termites Prevention Fee	City Termites Prevention Institute	HPPAF Circular 232 [1992], Wuhan Government Circular 65 [1997]	According to Red Line Plan total building area: RMB 1.2/m ²	Collected on behalf by Town Planning Department
Construction Stage Fees	Comprehensive Development	City Development	HPPARE Circular 236	Based on new construction	

Industry Management Fee	Office	[1992]	area: RMB 0.50/m ²	
Project Quality Supervision Fee	City Quality Supervision Unit	HPPAF Circular 329 [2001]	1.4% of the amount of construction installation under supervision	
Construction Works Examination and Testing Fee	Supervision Agency with Relevant Qualification	Hubei Province Price Administration Economic Circular 329 [1998]		Pay according to agreement
Examination of Project Cost Fee	City Construction Cost Unit	HPPARE Circular 47 [2002]	1% of project construction cost	
Project Quality Supervision and Management Fee	Supervision and Management Company	Wuhan City Supervision Circular 158 [1996]	For projects between RMB 100 – 500 million: 0.8% - 1.2% of project amount	
Construction Tender Transaction Services Fee	City Construction Project Transactions Centre	HPPARE Circular 49 [2000]	1.6% of accepted tender price	Share equally by both parties
Commercial Concrete Transactions Service Fee	City Commercial Concrete Management Unit	- Ditto -	18.% of commodity transaction price	Share equally by both parties
Unpacked Cement Special Fund	City Unpacked Cement Office	Comprehensive Finance Circular 23 [2002]	If unspecified in the project estimate, prepay on the basis of the project building area: RMB 1.5 /m ²	
Construction Contract Endorsement Fee	City Industrial and Commerce Department	Hubei Province Price Administration Examination Circular 135 [1992]	Each party pays 0.1% of the project amount	
Provision of Residential District Street Lighting Fee	Relevant Department	Wuhan City Development Circular 064 [1992]	70% of total cost of low voltage works for provision of street lighting	
Road Excavation Restoration Fee	City Town Management Department	Hubei Province Construction Circular 324 [1996]	RMB 200 - 328/m ²	
Roads Occupation Fee	- Ditto -	Wuhan City Temporary Occupation of Roads Levy Standard Circular	RMB 0.60/m ² /day	
Environmental Impact	City Environmental	HPPA Circular 32 [1993] & 50		EIA Fee subject to

	Assessment Fee; Environmental Monitoring Fee, etc.	Protection Department	[1994]; State Price Administration & Finance Ministry Circular 581 [1992]		agreement; Monitoring Fee based on relevant documents.
	Noise Prevention Fee	- Ditto -		RMB 0.5/m ²	To be apportioned into house prices.
	Sewage Disposal Fee	- Ditto -	Wuhan Price Administration Services Circular 54 [2002]	RMB 0.05/ton	
	Different Land Greening Fee	City Landscaping Department	Wuhan Price Administration Circular 231 [1996]	RMB 700/m ²	Based on land used area, excess payment needs to be paid for difference in green land and land used area.
	Construction Safety Technological Services Fee	City Safety Unit	Wuhan Construction Management Circular 221 [2002], HPPARE Circular 75 [2002], WPARE Circular 112 [2002]	City centre: 1.5% of construction installation amount; suburbs: 2% of construction installation amount	
Final Stage	Property Management Commencement Fund	Residential Estate Property Owners Management Committee	Wuhan City Residential Property Management Regulation, 1999	1.5% of the residential property construction cost. For residential properties with lifts, 2.5% of construction and installation cost.	
	Residential Estate Property Owners Committee Accommodation	- Ditto -	- Ditto -	Provide free of charge an area equal to 2% of the total area of the residential estate	
	Property Management Business Use Accommodation	- Ditto -	- Ditto -	Based on the prime cost of overall residential properties to provide an area equal to 3% of the total area of the residential estate	
	Building Survey	City Real	State Survey	RMB 0.5/m ²	

	Fee	Estate Department	Circular 82 [1993]		
Tax	Land Use Tax	City Local Tax Department	Wuhan Local Tax Circular 212 [2000]	RMB 0.5 – 10/m ² x taxable land area	Not payable by foreign enterprises
	Cultivated Land Occupation Tax	- Ditto -	Wuhan Government Circular 98 [1987]	One-off payment: actual area occupied x prescribed standard tax rate from RMB 1 – 10/m ²	
	Stamp Duty	- Ditto -	State Tax Local Circular 009 [1988]	Construction Survey and Design Contract – 5%; Construction Installation Contract – 3%	
	Income Tax	- Ditto -	Finance Tax State Circular 045 [1985]	33% of taxable income	
	Property Tax	- Ditto -	State Circular 90 [1998]	1.2% of remaining value of the property; 12% of rental income	
	Use of Vehicles and Ships Tax	- Ditto -	Wuhan Government Circular 28 [1998]	RMB 320/vehicle (passenger carrying); RMB 60/ton (goods carrying)	goods carrying-net tonnage
	Local Education Development Fee	- Ditto -	City People's Government "Regarding Charging Local Education Development Fee Circular"	1% of the sales proceeds	
	Land Capital Gain Tax	- Ditto -	Wuhan Government Circular 133 [1988]	Land capital gain amount x relevant tax rate – deduction	Progressive rates at 30%, 40%, 50%, & 60%
Real Estate Transaction Taxes and Fees	Business Tax	- Ditto -	City Real Estate Department and City Tax Department - Wuhan Real Estate Circular 64 [93]; Finance Ministry and State Tax Department – Finance Tax Circular 210 [1999]	5% of sales turnover	Vendor pays
	City Maintenance Construction Tax	- Ditto -		7% of Business Tax taxable amount	- Ditto -

	Education Fee Addition	- Ditto -		3% of Business Tax	- Ditto -
	Embankment Works Construction and Maintenance Management Fee	- Ditto -		2% of Business Tax	- Ditto -
	Non-staple Food Prices Balancing Fund	- Ditto -		1% of Transaction price	- Ditto -
	Education Development Fee	- Ditto -		1% of Transaction price	- Ditto -
	Stamp Duty on determined price	- Ditto -	Finance Ministry Finance Tax Circular 255 [1988]	Vendor and purchaser each pays 5%	- Ditto -
	Title Deed Tax	- Ditto -	PRC Title Deed Tax Temporary Regulation 1997	3% – 5% of transaction price	Purchaser pays

Source: Adapted from Changfengyaguo, 2008.

Note: 1. Exchange rate: US\$1 = RMB6.83.

2. 'mu' is a unit of area measurement in China. 1mu = 15ha.

3. If the developer is a foreign enterprise, replace Land Use Tax & Property Tax by City Property Tax.

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