

Notice of the Finance and Economic Committee  
of the GAC on **Certain Amendments to the Tax System and the Date of Implementation**  
December 31, 1952

In accordance with the development of the national financial and economic situation and the needs of national economic construction, this committee reported to the 164th Executive Meeting of the State Council for approval. On the principle of ensuring tax revenue and simplifying tax payment procedures, it is decided to make certain revisions to the current tax system and implement it from January 1, 1953.

(A) Trial Implementation of Commodity Circulation Tax

1. The Trial Measures for Commodity Circulation Tax are hereby promulgated for implementation (Attached: Trial Measures for Commodity Circulation Tax).

2. After gaining experience through trial operation, certain items levied on commodity tax that can be levied on commodity circulation tax shall be gradually levied on commodity circulation tax after the Ministry of Finance of the Central People's Government reports to this Commission for approval.

3. After the promulgation of the Provisional Measures for Commodity Circulation Tax, the Ministry of Finance of the Central People's Government shall announce the detailed rules on the collection and payment procedures.

(B) Amendment of Commodity Tax

1. For manufacturers of taxable goods, the stamp tax, business tax and business tax surcharge that were originally payable shall be incorporated into the commodity tax. The current commodity tax items and tax rates shall be adjusted as appropriate (see the revised commodity tax items and tax rate table).

2. Taxable goods shall be taxed at the wholesale price of state-owned companies; the same applies to processing, ordering and underwriting. If a state-owned company does not have a wholesale price, the local market wholesale price may be used for taxation.

3. Revise Article 6 of the Provisional Regulations on Commodity Tax, which states: "The formula for calculating the dutiable value and taxable amount of commodity tax" to calculate the taxable amount by multiplying the tax rate by the price of taxable goods.

(C) Revision of Industrial and Commercial Tax

1. Business tax

1. Stamp duty, business tax and business tax surcharge payable by industry and commerce shall be incorporated into business tax and taxed at the combined tax rate (attached is a comparison table of business tax tiered tax rates after combined calculation). The original "Business Tax Rate Table for Different Industries" shall be adjusted by the Ministry of Finance of the Central People's Government in accordance with the industry standards set by the National Bureau of Statistics and shall be promulgated and implemented separately.

2. Goods that have paid commodity circulation tax are no longer subject to business tax.

3. Goods that have paid commodity tax are still subject to business tax when they are sold wholesale or retail.

4. Commodities that are not subject to commodity circulation tax and goods that are not subject to commodity tax are still subject to business tax regardless of whether they are sold industrially or commercially.

5. Revise the provision that "processing income shall be taxed at the tax rate of the respective business, but shall not be less than 1.5 percent", and adjust the tax rate on processing income to a unified rate of 5 percent.

6. Purchasing on behalf of others, selling on behalf of others or underwriting sales shall be taxed based on purchase and sales.

7. Revise Article 8 of the Implementation Rules of the Provisional Regulations on Industrial and Commercial Taxes: Regarding the provision that "transferring goods between general branches of industry and commerce...is not considered as a business act and is not subject to business tax", it is changed to that general branches of industry pay three business taxes from production, wholesale to retail; if the business tax of the manufacturing part has been incorporated into the commodity tax, only two business taxes, wholesale and retail, are paid. General branches of commerce pay two business taxes from wholesale to retail.

8. Products sold by factories that are not subject to commodity circulation tax or goods tax should pay two types of business tax according to the industrial tax rate and commercial tax rate respectively.

9. Article 11, Paragraph 3 of the Provisional Regulations on Industrial and Commercial Taxes shall be revised to include the provision that "for industries with continuous production and different tax rates for several products, the lower tax rate shall be used for calculation of taxes". Instead, the tax shall be calculated based on the tax rate of the industry to which the product belongs when it is sold.

10. Cancel the preferential provision of 20% reduction in business tax for cooperatives.

11. Article 73 of the Implementation Rules of the Provisional Regulations on Commercial Tax has been revised: When a taxpayer files a review, the requirement that "the assessed tax amount shall be paid in full" shall be changed to "70% of the assessed tax amount shall be paid to the treasury first".

## 2. Income tax

1. The provision that cooperatives are exempt from paying income tax in the first year of their establishment is abolished; the final settlement of income tax for 1952 shall continue to be handled in accordance with the original provisions.

2. Income tax and income tax surcharge are levied together.

## 3. Temporary Business Tax

1. The temporary business tax surcharge and stamp duty payable by temporary businesses will be incorporated into the temporary business tax, and the tax rates will no longer be increased and will remain at 6% and 8% respectively.

2. Revise the provision in the temporary commercial tax collection method regarding the exemption of tax for farmers, fishermen, herdsman and hunters who sell their own products with a certificate of self-production and self-sale. The threshold is adjusted to 200,000 yuan. Except for merchants, all those who sell goods reaching the threshold are required to pay the temporary commercial tax. However, farmers, fishermen, herdsman and hunters must still be given the following considerations:

(1) Farmers who sell their agricultural and sideline products and livestock in rural towns are exempt from temporary commercial taxes. Farmers near the suburbs who sell their agricultural and sideline products and livestock to cities can be exempt from temporary commercial taxes by obtaining long-term certificates issued by local tax authorities.

(2) Fishermen who sell their own aquatic products will be issued a long-term certificate by the local tax authorities and will be exempt from temporary commercial taxes.

(3) Herders and hunters who sell their own livestock or game are exempt from temporary commercial taxes.

#### IV. Simplify tax procedures for small businesses and vendors

Small-scale industrial and commercial households and vendors shall pay business tax and income tax in a simplified manner, with consolidated calculation and monthly payment. Those with monthly sales of less than 900,000 yuan or income of less than 600,000 yuan shall be exempted from paying industrial and commercial tax. The specific measures shall be separately promulgated and implemented by the Ministry of Finance of the Central People's Government.

#### (D) Revision of other taxes

1. Stamp Duty: The first, second, third, twelfth, thirteenth, fourteenth, sixteenth, seventeenth, eighteenth and seventh items of the tax rate and tax amount table, as well as the premium receipts of item seven, the receipts of contracting and processing of item nine, and the commission receipts of item eleven shall be respectively incorporated into the commodity circulation tax, goods tax, industrial and commercial tax, and slaughter tax for collection; all unincorporated parts shall continue to be handled in accordance with the current regulations.

2. Abolish the unified sales tax on cotton yarn and incorporate it into the commodity circulation tax.

#### 3. Slaughter tax:

1. The tax exemption regulations for self-raising, self-slaughtering and self-consumption remain unchanged; however, the sales portion must pay taxes according to regulations.

2. The stamp duty, business tax and business tax surcharge payable by butchers shall be incorporated into the slaughtering tax, and the tax rate shall be set at 13%; farmers who sell their meat shall be taxed at 10%.

3. Cancel the calculation formula for taxable meat prices and all taxes will be calculated based on the actual local selling price.

4. Transaction tax: The grain transaction tax will be changed to a commodity tax; the cotton transaction tax will be incorporated into the commodity circulation tax; the livestock transaction tax will be levied on a uniform basis nationwide, with the Central People's Government's Ministry of Finance announcing the collection method; all local individual methods will be abolished.

5. Urban real estate tax: The original surcharge will be incorporated into the regular tax, and the tax rate will be adjusted as follows:

1. The property tax is levied annually based on the standard house price at a rate of 1.2%;

2. The real estate tax is levied annually based on the standard land price at a rate of 1.8%;

3. Real estate tax is levied annually based on the standard real estate price, and the tax rate is 1.8%;

4. Real estate tax is levied annually based on standard real estate rental prices at a rate of 18%.

6. Special consumption behavior tax: renamed as cultural and entertainment tax, the original tax rate for "film, drama and entertainment" remains unchanged; the tax reduction provisions of Article 5 are cancelled, and the state will formulate a separate reward method for promoting drama and film. Banquets, cold dishes, hotels, and dance halls are all included in the business tax, and the tax rates are calculated according to the following tax rates (including stamp tax, business tax and business tax surcharge):

1. The tax rate for Chinese and Western restaurants, restaurants that are operated concurrently with hotels, catering services provided by catering companies and other businesses that prepare banquets for guests, cold food shops, coffee shops and other businesses that also sell cold food is 5%.

2. The tax rate for hotels, restaurants and other businesses that provide accommodation to guests is 6%.

3. The tax rate for dance halls is 15 percent.

7. The local surcharges originally levied on the business tax, income tax, temporary commercial tax and urban real estate tax have been merged into the regular taxes. Local governments may no longer levy surcharges on the regular taxes for any reason.

(E) All public and private enterprises and cooperatives shall register with the industrial and commercial administrative authorities in accordance with the relevant regulations; register with the tax authorities for tax purposes; and submit to the tax authorities annual and quarterly production and sales tax plans for commodity circulation tax, goods tax, and industrial and commercial tax, as well as monthly tax returns. The specific measures shall be promulgated and implemented by the Ministry of Finance of the Central People's Government.

#### Amendment of the commodity tax items and tax rate table

Item	Mebetsu	tax rate	illustrate
(1) Cigars	cigar	50%	
(2) Tobacco	cut tobacco	40%	
(3) Tobacco leaves	Tobacco Leaves	40%	
(4) Incineration products	Tin foil, yellow paper, ghost money, ghost money, burning paper, god horse, ghost clothes paper, burning paper, red and white envelopes, god incense, sandalwood	50%	
(5) Firecrackers	firecracker	20%	
(6) Cosmetics	Perfume, powder, lipstick, rouge, hair oil, hair wax, hair water, facial mask, facial oil, perfume essence, nail polish,	45%	

	eyebrow pencil, vanishing cream, floral water, talcum powder		
	Bird's nest, white fungus, shark fin, fish maw, fish lips, abalone, scallop, sea cucumber	30%	
(7) Food and drink	can		
	Soda, fruit syrup, fruit juice, fruit water	20%	
	Casings, egg products	7%	
(8) Sugar	Brown sugar, white sugar, granulated sugar, rock sugar, orange sugar, cube sugar, refined sugar, green sugar, saccharin	25%	
	Maltose	15%	
(9) Tea	Tea	25%	
(10) Condiments	Seasoning powder, machine-made soy sauce essence, flavors	20%	
(11) Aquatic products	Seafood, freshwater fish, shrimp, crab	5%	
(12) Wool yarn	Foreign wool spinning wool yarn and wool thread	30%	Carpet yarn mixed with foreign wool is still taxed at the wool yarn tax rate of domestic wool spinning. Wool yarn and wool thread refer to machine-made, semi-machine-made and mixed with other fibers.
	Domestic wool spinning wool yarn and wool thread	10%	
(13) Wool products	Felt hats, felt hat blanks, felt hats, felt shoes, felt socks, felt felt	8%	
(14) Linen textiles	Machine-made and semi-machine-made linen yarn	15%	
	Machine-made and semi-machine-made sacks, packing sacks	6%	

(15) Silk	Silk, Rayon	15%	
(16) Homemade cloth	Pure earth yarn woven fabric	9%	
	Machine-made yarn, native yarn interwoven fabric	5%	
(17) Clock, camera, film, and reels	Watches, Cameras, Films, Films	20%	
(18) Phonograph	Phonograph, record player, tape recorder	15%	
radio	Radio, amplifier	8%	
(19) Fountain pen	Fountain pen	15%	Fountain pens including ballpoint pens
(20) Thermos bottle	Thermos bottle	12%	
(21) Bicycle parts	Bicycle Parts	8%	
(22) Electrical equipment	Fan	16%	
	Light bulbs, dry cell batteries, wires	8%	
(23) Rubber products	rubber products	12%	Excluding tires and rims.
(24) Hardware	Nails, tubes, plates, wire strips	7%	Except for steel. No tax is levied on blacksmiths in rural and urban areas. Faucets, elbows, joints, and pipes are levied.
(25) Enameled glass aluminum products	Enamel, glass, aluminum	10%	
(26) Bricks, tiles, ceramics	Bricks, porcelain, pottery	8%	Sandware is not taxed.
(27) Paper	Category A Gold and silver paper, tin foil, aluminum foil, silk paper, cellophane, transparent paper, wax paper, floral wallpaper, crepe paper, flower paper	15%	Except for paper trays and newspapers.

Category			
B	Ordinary paper	7%	
(28) Soap, toothpaste	Soap, shaving soap, toothpaste	12%	
(29) Soap	Soap	8%	
(30) Paint, glue, ink	Paint, chemical glue	12%	Lacquer includes raw lacquer and chemical lacquer. Chemical glue refers to animal glue, plastic, liquid glue, waterproof glue, British glue, celluloid, yellow and white glue powder, resin, etc.
	Ink	7%	
(31) Color dyes	Inorganic pigments, precipitated colorants		
	Direct dyes, mordant dyes, vat dyes, acid dyes, salt-based dyes, sulfur dyes, oxidation dyes, color-developing dyes, miscellaneous dyes, dyeing agents	12%	
(32) Vegetable oil	Tung oil, soybean oil, sesame oil, tar oil, tea oil, eggplant oil, cinnamon oil, lacquer oil, peanut oil, cottonseed oil, rapeseed oil, coconut oil, turpentine, peppermint oil, walnut oil, perilla oil	12%	
(33) Bamboo	Original bamboo	5%	
(34) Food	Coarse grains, fine grains, oil grains	2%	
(35) Metal mineral products	Metal Mineral Products	5%	Except tungsten, antimony, tin, copper and pig iron.
(36) Non-metallic mineral products	Coal, alum, gypsum, mica, graphite, asbestos, fluorite, borax, sulfur, realgar, talc, chalcantite	5%	

Comparison table of business tax tiered tax rates after combined calculation

Combined tax rate%                      illustrate

Original business tax rate%	industry	Business	income
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1	1.5		
1.5	2	2	2
2	2.5	2.5	2.5
2.5	3	3	3
3	3.5	3.5	3.5
4			5
5			6
6			7
8			10
10			15
12			15
15			15

1. This table combines stamp duty and local surcharges according to the current business tax tiered rates.

2. For the purpose of simplifying the tax rates for the commission income portion, the original tax rates of 10%, 12%, and 15% will be changed to 15%.

3. The “banquets”, “cold food”, “hotels” and “dance halls” parts of the special consumption tax will be incorporated into the business tax.

The tax rate for restaurants, cold food stores and other industries was changed to 5%; the tax rate for hotels was changed to 6%; and the tax rate for dance halls was changed to 15%.