

## **The Central Committee of the Communist Party of China approved the summary report of the National Tax Conference**

Date: 1950-1-17

*Central bureaus, branches, provincial party committees, and municipal party committees:*

The summary report of the National Tax Conference is hereby forwarded to you. The Central Committee agreed with the decisions of the National Tax Conference. The meeting stipulated that the total tax revenue task was 22.37 billion catties, accounting for more than one-half of the total revenue in 1950. Whether this task can be completed is related to whether the Central People's Government's revenue and expenditure estimates for 195 years can be realized. Therefore, party committees at all levels must dispatch cadres who should and may be transferred to strengthen the tax organs, and do a good job of supervising and inspecting to ensure the completion of tax tasks.

Central January 17

The CCP Central Committee's Circular on Forwarding the Summary Report of the National Taxation Conference

Date: January 17, 1950

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To all Central Bureaus, Sub-Bureaus, Provincial Committees, and Municipal Committees:

Here is the summary report from the National Taxation Conference, which the Central Committee fully endorses. The conference set the total tax collection target at 22.37 billion jin of grain, accounting for more than half of the total national revenue for 1950. Whether this goal can be met will determine whether the Central People's Government's 1950 fiscal budget can be realized. Therefore, Party committees at all levels must assign suitable and available cadres to strengthen tax organs, supervise and inspect their work carefully, and ensure that tax targets are met.

The Central Committee

January 17

Chen Yun and Bo Yibo's Summary Report on Taxation and Related Matters

(January 6, 1950)

To Chairman Mao and the Central Committee:

In order to unify national finances and implement the 1950 budget, conferences on taxation, salt tax, and grain were successively convened in November and December of last year. At the beginning of the meetings, delegates from various regions complained to the Central Financial and Economic Commission (CFEC) that the burdens were unbearable and the targets impossible to meet. Later, after fully disclosing the national fiscal situation and carefully calculating item by item, a consensus emerged.

The farmers' burden—about 20% of their total income—was deemed already heavy enough and could neither be increased nor reduced. The urban burden, being lighter, should henceforth be the main focus for tax increases.

Under a simplified tax system, priority would be given to:

- Commodity taxes (the largest revenue source, including tobacco, alcohol, minerals, and aquatic products),

- Industrial and commercial taxes (including business income, temporary trade, and vendor licenses),
- Salt tax, and
- Customs duties.

Secondary revenues would come from the reorganization of stamp, transaction, slaughter, property, land, inheritance, license-use, interest income, salary income, and special consumption taxes (the last including entertainment, banquets, hotels, and cold foods).

Tax collection methods were considered crucial. In newly liberated cities, practices differed:

- Shanghai used self-reporting and payment, with light taxes but heavy penalties—resulting in lower revenue but greater satisfaction among Chinese and foreign capitalists.
- Beiping (Beijing) and Tianjin used self-reporting combined with democratic evaluation—yielding higher revenue but more capitalist complaints.

After discussion, it was decided to combine both methods: self-reporting with democratic evaluation, which would increase revenue while silencing capitalist criticism.

For political convenience, most tax categories and rates would follow those set under the Nationalist government, except for the elimination of several irrational taxes and modest expansion of the commodity tax to cover new items such as canned goods, paper, hardware, electrical supplies, rubber, watches, pens, bricks, lime, thermos bottles, bicycles, vegetable oils, and egg products—generally well received by the public.

However, several issues were sensitive:

1. Cotton yarn tax—raised from 10% to 12%. Though this affected Chinese national capitalists, it was judged acceptable.
2. Salt tax—doubled from 0.5 jin of rice per jin of salt to 1 jin of rice per jin of salt, still below prewar levels (then equivalent to 1.4–1.7 jin of rice per jin of salt).
3. Salary income tax—small in amount but touching on workers' and employees' burdens. The State Council ruled that higher-salaried individuals should contribute, and that even workers and staff should bear some responsibility. Those earning under 250 jin of rice per month would be exempt.

The State Council approved all these measures. Soviet experts strongly supported tax increases, considering them preferable to issuing paper money or public bonds.

After detailed calculations, public grain (tax in kind) from last year's surplus plus the coming summer's collection would reach 22.386 billion jin, exceeding the original estimate by 2.402 billion jin. Adjustments were made among regions: slight reductions in the Northwest and Central China, slight increases in the Northeast, Inner Mongolia, and East China, and a major increase in the Southwest—from the originally planned 2 billion jin to 4 billion jin, per Liu and Deng's telegram, with no anticipated difficulties.

The conference finalized the 1950 tax target at 22.03 billion jin, including:

- Customs duties: 1.5 billion jin

- Salt tax: 3.2 billion jin
- Other taxes: 17.33 billion jin

This total exceeds the budgeted figure by 3.25 billion jin, and regional representatives agreed to it. Customs duties were estimated; salt tax was the most reliable source. Other taxes depended on organization and effort—attainable with good work, but not guaranteed otherwise. There might be some arrears in grain collection, but the overall numbers were sound.

Current nationwide fiscal issues still requiring resolution include:

1. Lack of uniform tax laws—over 30 different systems for agricultural taxation, with inconsistent exemptions and rates; industrial and commercial taxes vary by city.
2. Uneven tax burdens—agricultural taxes heavier in the Northwest, industrial and commercial taxes lighter in the Southeast.
3. Lack of administrative and accounting unity—fiscal systems remain weak, with uncertain revenues and expenditures.
4. Need for thrift and anti-waste—though leadership is aware of this, light-tax thinking and spending waste remain serious.

We are making ongoing efforts to resolve these issues.

Chen Yun and Bo Yibo  
January 6, 1950