

Working Together for Common Development

Address at the Opening Ceremony of the Fourth ITD Global Conference on Tax and Equality

Vice Minister WANG Jun

Ministry of Finance, the People's Republic of China

7 December 2011

Respected Minister Pranab Mukherjee,

Respected Minister of State, Mr. Palanimanickam,

Respected Deputy Managing Director Zhu Min,

Ladies and gentlemen,

It gives me great pleasure to meet you in New Delhi for attending the fourth ITD Global Conference on Tax and Equality. This is my second time to visit here. It reminds me of the beautiful lines of Rabindranath Tagore, the great poet of India: "Once we dreamt that we were strangers. We wake up to find that we were dear to each other." At the crucial moment of world economic and social development, it is of great importance and significance for people from the world financial and tax communities to gather together, share our experience and wisdom to make our contributions to a more balanced global economy, more equitable international community and more harmonious human society. Please allow me, on behalf of the Chinese delegation, to extend my warm congratulations on the opening of the four ITD Global Conference on Tax and Equality in New Delhi. I would also like to give my heartfelt gratitude to the OECD, the IMF, the World Bank and the other co-organizers as well as India for the cordial invitation and hospitality.

Ladies and gentlemen,

Since the unveiling of the reform and opening-up policy in 1978, China has focused on economic development, and promoted the emancipation and development of productivity. Based on this, we have exerted all our efforts to advance scientific

development, ensure and improve people's well-being and build a harmonious society. We have taken policies to coordinate the economic and social development between urban and rural areas, have the industry and cities to support the development of agriculture and the countryside. We have rescinded the agricultural tax, distributed various types of agricultural subsidies and helped strengthen the development of rural infrastructure. We have increased fiscal transfer and special poverty-reduction fund to poor areas, aiming at narrowing the gap between the urban and rural areas and among different regions. We have given priority to the development of education. The nine-year free compulsory education has been carried out in both urban and rural areas. The tuition fees have been exempted for students who are receiving intermediate vocational education and who come from poor families in the countryside, or families depending on minimum living allowances in cities, or students who have chosen agriculture-related programmes as their major in school. The state's educational support policy has covered not only students of higher education, but also those who are receiving vocational education or high school students. This is an important method to provide young people with equal opportunities. We have deepened the pharmaceutical and health reform. 1.287 billion residents in China are entitled to health care. Over 70% of hospitalized costs if policy allows can be reimbursed. Those who are still in financial difficulties despite the above-mentioned policy can enjoy medical aid. We have launched an all-round minimum living allowances system, which covers 53 million farmers and 23 million urban dwellers. Such a system ensures that the minimum living allowances are adjusted over time with inflation. We have accelerated the development of pension insurance for the old people in urban and rural areas. Over 170 million senior citizens over 60 who have participated in the pension insurance scheme can get a certain amount of pension very month. We can carried out the low-income housing programme, which includes public rental housing, low-rent housing, renovation of the shanty areas and dilapidated houses in the countryside, with the purpose to ensure the basic housing needs of the residents. In the past 5 years or so, the per capita disposal income of the urban residents and per capita net income of farmers have increased by 9.7% and 8.9% respectively every year in real terms. The number of the poor population has declined by 37.43 million from 64.31 million to 26.88 million. Recently the Chinese government has stated that the national poverty yardstick has been leveled up from 1,274 yuan to 2,300 yuan. More low-income people have therefore been incorporated into the poverty-reduction programme and apparently we have doubled our efforts to fight against poverty.

Since the second half of 2009, in order to ward off the shock of the international financial crisis, the Chinese government, by sizing up the situation, has taken the resolute decision to implement the proactive fiscal policy and relatively easing monetary policy. A series of structural tax reduction policies have been released: comprehensive transformation of VAT, reform of individual income tax, fee and tax reform of finished oil products and reform of resource tax. These policies can relieve the financial burden of enterprises and individuals by over 500 billion yuan every

year, thus effectively mitigating the operational difficulties of enterprises, improving people's well-being and stimulating the vitality of economic and social development. In the coming period, the Chinese government will give priority to scientific development and transformation of economic development pattern, continue to implement the proactive fiscal policy and prudent monetary policy, and have these policies more well-targeted, flexible and forward-looking. In terms of tax policy, we will continue to follow the principle of simple tax system, broad tax base, low tax rate and strict tax administration. We will actively while prudently promote tax reform, so as to better maintain economic growth, optimize economic structure and adjust income distribution.

Ladies and gentlemen,

The world economic recovery is an arduous and complex process. It even has to get through a painful adjustment period. At the Cannes Summit, the G20 members have agreed to ensure growth and promote stability. Working together to strengthen coordination for common development has become an irreversible trend. Friends from the global financial and tax communities should make full communication, properly handle differences and take concerted actions to promote strong, sustainable and balanced growth of the world economy. Here I would like to make four observations:

First, carrying out more equitable tax policy, so that all the labor force can enjoy the development fruits. On the one hand, we will accumulate financial strength to build a solid material foundation for poverty reduction in the long-run, and on the other hand, we will, by fiscal and taxation means, adjust the pattern of national income distribution, gradually achieve the synchronized growth of household income and economic development, and of labor income and productivity. We will gradually increase the proportion of household income in the national income distribution, and the proportion of labor income in the primary distribution, so that all the workers can enjoy the development fruits.

Second, promoting the implementation of more effective tax policy for sustainable recovery and growth of the world economy. At present, the world economy has entered the adjustment period. The fiscal and tax departments of all countries should create a dynamic, effective and more open tax environment, better coordinate the tax system with economic development, and promote greater cross-border flow of goods, capital, services and people. While achieving our own sound and fast economic growth, we should make our contribution to the healthy and strong recovery of the world economy at an earlier date.

Third, advancing the implementation of more sustainable tax policy to coordinate tax revenue and benefits. One of the root causes of the sovereign debt crisis in some countries is due to the absence of coordination between tax and welfare policy. As

the Chinese saying goes, “There are many people to produce but few to consume.” It reminds us that we need to be aware of the rigidity of welfare expenditure, adopt a long vision and strengthen coordination between tax and welfare policy, so that not only economic growth but also the improvement of people’s well-being and fiscal and tax system can be more sustainable.

Fourth, strengthening tax cooperation to support the development of global governance architecture. Tax cooperation is an important means to tighten the bond of international friendship and build global governance architecture. We should abide by the purpose of the ITD Global Conference and the principle of seeking common ground while shelving differences to improve the international tax cooperation mechanism, strengthen the dialogue, promote effective solution to tax disputes, protect the legitimate rights and interests of taxpayers, combat international tax arbitrage, and strengthen cross-border tax management, so that the tax rights of each country will not be infringed upon and our risk management capability can be improved.

Ladies and gentlemen,

The ITD Global Conference is a window for people from the world fiscal and tax communities to broaden their vision and get acquaintance for friendship. It is also a platform for sharing experience, creating innovative ideas and promoting cooperation. Let us work together to accumulate more wisdom for deepening the global tax policy coordination and make our greater contributions to the development of the world economy.

In conclusion, I wish the conference a full success.

Thank you.