taxation measure to curb real estate market

Description

Though there is plenty of moaning and groaning in the real estate market in China, due to the central governmentâ€™s tight monetary policy, it seems the tether is going to be further tightened. In a new effort stepped up by the central tax ministry, a new circular was issued on April 7, 2008 regarding the prepayment of income tax by property developers.

The new circular required that developers shall prepaay the income tax on a seasonal or monthly basis at the tax rates prescribed in the circular. Companies that have employed the presale policy before the completion of projects shall prepay income tax based on the presale proceeds and the prescribed tax rates.

Different tax rates are set forth for different kinds of projects. As to the general commodity houses other than government-aided projects, the following three rates are applicable to projects located in different places:

(1) no less than 20%, with respect to projects located in the downtown areas in which the peopleâ€™s governments of province, autonomous regions, municipalities directly under central government and cities specially planned by state as well as in those suburbs areas.

(2) no less than 15%, with respect to projects located in the downtown areas of municipalities with sub-divided districts and other municipalities of similar level;

(3) no less than 10%, with respect to projects located in other places.

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