

Violations found in land management and sales

BEIJING - More than 70 percent of net proceeds from land sales in 11 Chinese cities, or 186.41 billion yuan (US\$ 12.52 billion), were not included, as stipulated, in the budgets of local governments, the country's audit authority said in a report released Wednesday.

The finding was among several violations discovered in an audit campaign launched by the National Audit Office (NAO) in 2007 to look into land sales in 11 cities from 2004 to 2006.

The 11 cities included Beijing, Shanghai, Tianjin, Chongqing, Harbin, Hefei, Jinan, Changsha, Guangzhou, Nanning and Chengdu.

China has stipulated that land users have to pay fees for their use of land to local governments, as the country's land was solely state-owned.

Such proceeds should be paid into a special account of local governments, and net proceeds, excluding fees such as service charges, would be submitted to the exchequer and become part of the budget of local governments to exclusively support infrastructure constructions and land development.

Land proceeds have been a major source of income for local governments. The NAO report showed net proceeds from land contributed about 26 percent of the budget to local governments of 11 cities over the three years.

Total proceeds from land in these 11 cities were 351.04 billion yuan from 2004 to 2006, and net proceeds stood at 261.87 billion yuan, the report showed.

Messy management and misuse

The NAO said 2.46 percent of the total land proceeds were not paid into the special accounts, while 71.18 percent of the net proceeds, the above-mentioned 186.41 billion yuan, were not put into local budgets.

Zhai Aicai, deputy head of the agriculture, resources, and environment audit department of the NAO, said land proceeds, if not included into the special account and local budgets, would be easily misused or embezzled.

The NAO found that about 8.37 billion yuan of land proceeds were misused. About 5.23 billion yuan was used to construct office buildings and other facilities for local governments, while about 3.14 billion yuan was used for loans and investment against rules, according to the report.

Collection failure of land proceeds

There were also cases of unpaid or uncollected land proceeds, although the majority, or 94.08 percent, of land proceeds had been duly collected, the report showed.

About 4.79 billion yuan of land proceeds in nine cities, including Tianjin, Changsha, Nanning, Chengdu, Harbin, Shanghai, Hefei, Guangzhou and Jinan, or 2.17 percent of the total 220.46 billion yuan, were illegally deducted or exempted.

More than half of the illegal deductions and exemptions were attributed to irrationally lower land prices, reimbursement of fees for land use, or charging fees for land use from local governments instead, the report said.

Experts had warned the improper deduction or exemption of land use charges would enable real estate developers to get a large area of land with relatively smaller amounts of money, which in effect lowered the cost for developers.

Ten cities, except Beijing, also saw a combined 17.33 billion yuan in late land proceeds payments; some cities had even granted the use of land before land users handed in the required fees, according to the report.

Zhai noted it would bring more risks to commercial banks, as real estate developers usually received loans from banks on the mortgage of the land use certificates, and later paid back bank loans and land use fees with proceeds from apartment sales.

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