

Experts: China to launch nationwide VAT reform experiments in 2009

In another effort to boost domestic spending while the export sector falls, China's State Administration of Taxation will launch value added tax (VAT) reform experiments in 2009.

The measures are equal to tax cuts in function, according to Liu Zuo, head of the administration's Taxation Research Institute, who revealed the plans at a tax forum Wednesday.

Reforms are also expected to be introduced for corporate income tax, business income tax cuts and personal income tax, he added.

Some analysts have forecast that China's economic growth in the first three quarters might be increased by more than 10 percent, but CPI in September might remain under 5 percent and is likely to continue to drop in the following few months.

China's overall economy is maintaining good shape with increased grain supply and stabilized commodity prices despite the decline in some industries like real estate and exports, which contribute less than before to the country's economy.

China's export growth increased by 2.7 percentage points last year, while the trade surplus dropped 2.6 percent year-on-year, to \$180.9 billion, from January to September 2008.

The Chinese Academy of Social Sciences (CASS) has forecast that the consumption contribution to economic growth will continue to increase by 5 percentage points until the end of this year.

With increasing global economic uncertainties, China cannot only rely on the export sector but must intensify its investment and consumption to maintain rapid and stable economic growth, said the CASS, NBS and State Council Development Research Center in a statement to policy makers recently.

These suggestions are identical with the discussions of the third Plenary Session of the 17th CPC Central Committee, which stresses expanding domestic demand and plans to double per capita disposable income of rural residents in 2020.

The government could launch some investment projects, especially in infrastructure, to stimulate domestic demand, an NBS expert pointed out.

It could also expand investment in low-rent housing to promote real estate's growth, and cut the tax to stimulate consumer consumption, he said.

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