China’s Economic Transformation Trends and its Fiscal Reform

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June 4, 2018
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Upgrading to a service-dominated industrial structure

Average annual growth: 2013–2016

- The value-added in service industries: 8%
- GDP: 7.2%

Ratio of China’s service industries in GDP:

- 2017: 51.6%
- 2020: 55%
Upgrading to a consumption structure with services as the mainstay

Total retail sales of consumer goods (trillion RMB)

<table>
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<th>Year</th>
<th>Total Retail Sales</th>
</tr>
</thead>
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<tr>
<td>2016</td>
<td>33.2</td>
</tr>
<tr>
<td>2017</td>
<td>36.6</td>
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Total consumption in 2020:

48–50 trillion RMB

Contribution to economic growth:

around 60%
Upgrading to population urbanization

Proportion of Permanent Urban Residents in China

- 2017: 58.52%
- 2020: 60%
Structural upgrading in opening-up with service trade as the focus

Average Annual Growth Rate (2013 - 2016)

Service trade by 2020: >1 trillion USD
What are the reform and development prospects in the context of China’s economic transformation and upgrading?
China's economic transformation and upgrading accommodates enormous growth potential.

China is to further open-up the service market.

Strictly prevent economic and financial risks.
What are the priorities of China’s next fiscal reform?
1. Will the orientation of China’s tax reform be structural adjustment of the taxation system by increasing the ratio of direct tax?

2. Is streamlining central-local government fiscal relations the core of China’s fiscal reform?

3. Shall we address the rooted causes to neutralize China’s PPP risk?
Will the orientation of China’s tax reform be structural adjustment of the taxation system by increasing the ratio of direct tax?

Share of direct tax and indirect tax in 2016

- **Direct Taxes**: 57.43%
- **Indirect Taxes**: 42.57%
1. Will the orientation of China’s tax reform be structural adjustment of the taxation system by increasing the ratio of direct tax?

2. Is streamlining central-local government fiscal relations the core of China’s fiscal reform?

3. Shall we address the rooted causes to neutralize China’s PPP risk?
Thank You!

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