



INTERNATIONAL SEMINAR ON FISCAL AND TAX POLICY REFORM

Shanghai, 21 May 2013

1. Background

An international seminar on the People's Republic of China (the PRC) fiscal and tax policy reform is scheduled on 21 May at the Asia-Pacific Finance and Development Center (AFDC) in Shanghai. The purpose of the seminar is to explore successful experiences of PRC's fiscal and tax reforms since 1994, discuss the challenges posed by economic restructuring, and share experiences of various countries' fiscal and tax policies, particularly during economic transition periods. The seminar is co-sponsored by ADB's Regional Knowledge Sharing Initiative (RKSI).

2. Challenges

The PRC continues experiencing an economic transition. Inclusive growth and sustainable development are the main challenges to go beyond the current development stage. Inclusive growth requires the right fiscal and taxation policies to support less-developed regions, and increase the living standards of the lower-income segment of the population. Meanwhile, a balanced development related to the environment and resource availability is equally important to achieve the PRC's development objectives. The past successful reform generated increased financial resources made available to support less developed regions and the lower-income population. However, the current system faces tremendous challenges in the context of both global and domestic development issues. Therefore, reforming the current fiscal and taxation policies stands high on the government's agenda. The recent pilot reform to introduce the VAT in selected services sectors is one key reform, which has initially achieved significant success.

3. Output and Outcome

The seminar will share experiences and lessons from the PRC's fiscal and taxation policies reform since 1994, which underpinned a decade of high economic growth. The seminar will also discuss the challenges that the country is presently encountering. In this context, international experts may present relevant country experiences and lessons in fiscal and taxation policies during economic transitions, like the U.S.A., Europe, Japan, the Republic of Korea, Singapore and Indonesia. Moreover, the seminar will serve as a brainstorming opportunity to discuss the roadmap for the next round of fiscal and taxation reforms in the PRC.

Participants to the seminar include leading fiscal and taxation experts from the PRC government, the academia, and international organizations. The discussions are expected to provide the basis for further ADB support to develop policy recommendations for the PRC's next stage of fiscal and taxation reforms.



Attachment: Draft Agenda

Agenda of International Seminar on Fiscal and Tax Policy Reform
Shanghai, 21 May 2013

8:30-9:00 **Registration**

9:00-9:30 **Opening Remarks**

Chair: Li Kouqing, Director-General, Asia Finance and Development Center, Ministry of Finance
Xie Xuan, Deputy Director General, International Department, MOF
Robert Wihtol, Director General, East Asia Department (EARD), Asian Development Bank (ADB)

9:30-10:45 **Session I: Overview of Fiscal and Tax Reforms since 1994, Challenges and Policy Options for Inclusive Growth**

Since 1994, the PRC's fiscal and taxation policies have experienced a tremendous change with the introduction of a shared tax system, and in particular the VAT. As a result, tax revenue has increased steadily from about CNY300 billion to CNY12 trillion in 2012. During this period, the budgeting system was also reformed allowing the central government more leverage to redistribute resources to less developed regions. However, as economic development moved forward, different issues emerged including the match of social responsibility of the government and revenue generated from a shared tax system. Against this background, the fiscal transfer system has to be reconsidered. The session will look into the following key issues: what are the challenges in fiscal and taxation policy that the PRC faces in the current context? What are the main issues that need to be resolved?

Moderator: Peng Runzhong, Director, AFDC

Panelist: Zhuang Juzhong Deputy Chief Economist, Economics and Research Department (ERD), ADB

Meng Chun, DDG, Development Research Center, State Council

Yin Xingmin, DDG, China Economy Research Center, Fudan University

Discussion

10:45-11:00 **Coffee Break**



11:00-12:30 Session II: International Experience in Fiscal and Tax Policy

Fiscal and taxation policies are the centerpiece of sound macroeconomic policy. Experiences in various countries provide interesting insights for today's discussion. Every country has developed a unique form, in particular when it comes to the relations between central and local governments. The session will look at selected international experiences to draw on relevant lessons learned.

Moderator: Yolanda Fernandez Lommen, Principal Economist, EARD, ADB
 Panelist: Jorge Martinez Vazquez, Professor, International Center for Public Policy, Georgia State University
 Satoru Araki, Tax Expert, RSDD, ADB
 Zhou Qiangwu, DDG, AFDC, MOF

Discussion**12:30-13:45 Lunch****13:45-15:00 Session III: Reform of the Intergovernmental Finance System**

Economic restructuring in the PRC, coupled with achieving the objective of establishing a prosperous society by the end of the century requires reforms of revenue and expenditure system between central and local government. Against this context, it is particularly important to align the responsibility in the provision of basic services with adequate financial resources. In addition, fiscal and taxation policies should reflect the trends of the market-oriented reforms, and the nature of the government functions. The session will discuss and revisit the roles and responsibilities of central and local governments, with the purpose of adequately aligning revenue and expenditure responsibilities.

Moderator: Liu Hanyong, Director, Shanghai Finance Department
 Panelist: Bai Jingming, DDG, Fiscal Policy Research Institute, MOF
 Qian Ying, Director, EARD, ADB
 Liu Junmin, Director, Fiscal Policy Research Institute, MOF
 Ma Haitao, Dean, Fiscal and taxation Policy Institute, Central Financial University

Discussion**15:00-15:15 Coffee Break**

15:15-17:00 Session IV: Roadmap for Fiscal and Tax Policy Reform

There are different options on how to move forward fiscal and taxation reforms in the PRC. In this process it is important to explore how to best adapt to the current international and domestic juncture in order to design a suitable reform roadmap that may be considered by the policy-makers in the context of the current economic reform agenda. The session will invite the views from representatives from government and the academia to identify the best options to modernize the fiscal and taxation systems in the PRC in accordance with the country development targets.

Moderator: Zhou Qiangwu, DDG, AFDC, MOF

Panelist: Wang Chaocai, DDG, Fiscal Policy Research Institute, MOF
Wang Yongjun, Dean, Public Administration Institute, China
Central Financial University
Chen Huan, DG, China CDM, MOF
Yan Yan, Director, Shanghai National Accounting Institute

Discussion**17:00-17:30 Concluding Remarks**