

Dates of Meeting:

24-11-1949 – 09-12-1949

Type of Meeting:

1st National Tax Conference

Place of Meeting:

Beijing

Attendance:

Thirty-four representatives from the Northeast, Northwest, East China, Inner Mongolia, and other major administrative regions, as well as provinces and municipalities, attended, along with forty-eight representatives from relevant departments of the Central People's Government.

Zhu De, member of the Political Bureau of the CPC Central Committee, Secretary of the Central Secretariat, and Vice Chairman of the Central People's Government; Chen Yun, member of the Political Bureau of the CPC Central Committee, Alternate Secretary of the Central Secretariat, Vice Premier of the State Council and Director of the Financial and Economic Committee of the State Council; and Bo Yibo, Deputy Director of the Financial and Economic Committee of the State Council and Minister of Finance, reported at the conference on the current situation, tasks, and policies facing tax work.

chaired by Vice Minister of Finance Rong Zihé

Major Agenda Items:

on unifying national tax policies, strengthening tax work, and reducing fiscal deficits

Speeches/Reports:

Bo Yibo Speech: stated that the conference had three tasks: first, to unify national tax laws, tax rates, and collection methods; second, to formulate a tax plan for next year, and to study and determine the scope and operating guidelines of monopoly businesses; and third, to determine the organizational structure of tax organizations at all levels and their relationship with governments at all levels.

Regarding tax laws and rates, Deputy Director Bo emphasized that the war to eliminate the remaining enemy forces continues, and the great task of nation-building must proceed step by step.

Consequently, fiscal expenditures are substantial, and efforts must be made to develop new sources of revenue. Deputy Director Bo stated: "Over 80 percent of the financial needs of the Chinese people's revolution have always been borne by the peasants. It is unacceptable to increase the burden on the peasants. In the future, industrialists and businessmen must also shoulder their fair share of responsibility." We should balance the burdens on urban industrialists and businessmen and farmers in accordance with the principle of "simplifying the tax system and implementing a reasonable burden," as stipulated in the Common Program of the CPPCC. Regarding the issue of unification, Deputy Director Bo stated: "The objective conditions are now ripe for tax policy unification, and the subjective conditions are also ripe for unification." Deputy Director Bo stated: "Tax administration work must be rigorously organized, with particular emphasis on strict adherence to the reporting and requesting instructions system. Everything must be conducted in accordance with the regulations and bylaws.

Also speaking at the meeting today (24-11-1949) were Wang Shao'ao, Deputy Minister of Finance of the Central People's Government; tax expert Peng Xiaofan; Hu Zishou, Deputy Minister of Finance of the Inner Mongolia People's Autonomous Government; Wang Nanqiu, Director of the East China Commodity Tax Bureau; Shi Ying, Director of the Northeast Taxation Bureau; Luo Dongming, Director of the Northwest Commodity Tax Bureau; and Li Zhouxing, Director of the Tianjin Taxation Bureau

Zhu De pointed out that after the founding of the People's Republic of China, fiscal expenditures were substantial, and the corresponding increase in taxation burdens was crucial for increasing fiscal revenue. Since the war was still ongoing, farmers were burdened with heavy taxes, and the tax burden was substantial, the tax burden on cities would need to be increased in the future. We must unify our thinking, publicize tax policies, and educate the people to pay taxes and serve the country. Tax collection must be based on policy. Excessive collection hinders production, and neither is withholding what should be collected. Tax collection cannot be done on a whim; unified laws must be enacted. We must ensure tax conditions, increase production, and ensure the smooth flow of goods and transportation. Currently, everything is prioritized over economic development. Tax authorities must not only collect taxes but also conduct thorough investigations and research to support production. Tax authorities must be closely aligned with production, producing heroes and role models, and tax collection must also produce heroes and role models. Tax authorities must strengthen their staff, enhance training, and promote integrity and self-discipline.

Chen Yun first introduced the serious difficulties facing the national finances: the supply of personnel has reached 7.5 million, and it is expected to reach 9 million in 1950 ; in preparation for the liberation of Taiwan, it is necessary to build a navy and air force; railways need to be built; the economy needs

to be restored, which requires a large increase in fiscal spending; fiscal revenue has increased only limitedly, and the fiscal deficit accounts for about 60% of fiscal expenditure .

There are only two options for addressing the fiscal deficit: First, issuing currency results in inflation, rising prices, and the people's suffering, while speculators enrich themselves and social and economic chaos. Second, increasing taxes is the best solution. It not only addresses fiscal needs but also ensures a reasonable burden on farmers. Furthermore, taxes can regularly withdraw money.

"The importance of the taxation task has been clearly demonstrated today, as the proposal to increase taxes was passed at the Central People's Government Council. I personally only had a preliminary understanding of the taxation issue in 1947 when I was in the Northeast Finance Committee, but my understanding was not profound at the time. It was not until I went to Tianjin and Shanghai this year that I completely understood this issue in my mind. Therefore, we must first clarify our thinking in this regard." "Completing the taxation task is a serious political task. The party and government at all levels must effectively strengthen taxation leadership to complete this task. In the future, financial work should be placed on the main agenda as one of the main tasks, especially taxation." "The central government is very concerned about the completion of the taxation task. I'm worried because many comrades still lack a clear understanding of taxation. Party and government leaders in some areas haven't grasped the importance of taxation, aren't strengthening it, and some even hold a one-sided, mass-oriented, and benevolent perspective, believing that the less money they ask from the people, the better, and the more money they ask from the state, the better, without understanding where the state gets its money. These perceptions must be thoroughly corrected. "Timely tax collection is crucial because grain revenue isn't cash and can't directly withdraw money. Taxes, on the other hand, are cash revenue. If they can be collected daily, the withdrawal effect is significant; one dollar can be used to pay for several. If money isn't withdrawn, bills will have to be issued, which will have negative consequences."

On the issue of balancing the tax burden, "First, we should achieve a balance between urban and rural burdens, and then the urban burden should exceed the rural burden. In the past, the burden on farmers was several times heavier than that on capitalists, which should not be the case. However, at present, the balance should be achieved by increasing the urban burden rather than reducing agricultural taxes. Reducing agricultural taxes is a matter for the future and cannot be done until the fiscal deficit is eliminated. All current ideas advocating for lighter taxes are wrong."

Bo Yibo emphasized the necessity of a unified national tax system and the correct implementation of tax policies. Regarding the issue of a unified tax system, Bo Yibo stated: "In the past, our revolutionary base areas were scattered and lacked a central government. With the unification of the currency by the People's Bank of China at the end of 1948 , and the establishment of the Central People's Government in 1949 , the fragmented and independent nature of the past was no longer tolerated. Now, with 4.5 million field troops nationwide, it's impossible for any one region to shoulder the burden; the state must provide and manage these expenses. Similarly, railway construction isn't something a single region can handle. For example, to liberate Taiwan, we must build an air force and navy, and these expenses can only be covered by the state." Thus, both subjective and objective factors demand unification. The same applies to taxation; closed-door policies and individual approaches are no longer acceptable. Regarding tax policy, Bo Yibo emphasized three points: First, we must consider the needs of national fiscal expenditure; second, when determining tax rates, we must consider incentives and restrictions, not simply revenue; and third, we must simplify the tax system and implement a reasonable burden, especially in cities where a certain level of income must be guaranteed. Regarding the price issue, Bo Yibo proposed that the first way to balance prices was to increase taxes, so tax increases were necessary in 1950. Therefore, tax laws also had to be unified .

Other Decisions and/or Actions:

formulated the "National Tax Policy Implementation Guidelines

Remarks:

See http://www.commonprogram.science/documents/report_of_the_National_Tax_Conference.pdf