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China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETINS

Nos. 33-34, 10, 20 DECEMBER 1985

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CHINA REPORT
POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS
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Nos. 33-34, 10, 20 DECEMBER 1985

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese Nos 33-34, 10, 20 Dec 85

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PROVISIONAL RULES ON BONUS TAX FOR INSTITUTIONS

Beijing STATE COUNCIL BULLETIN in Chinese No 33, 10 Dec 85 pp 1133-1136

[Detailed Rules of Provisional Regulations on Bonus Tax for Business Institutions" (Promulgated by the Ministry of Finance on 15 November 1985)]

(CaiShuiZi [6299 4451 1316] (1985) No 296)

[Text] Article 1. These detailed rules are formulated in accordance with Article 11 of the "Provisional Regulations on Bonus Tax for Business Institutions (hereinafter referred to as "Provisional Regulations") (carried in issue No 28 of this journal in 1985).

Article 2. All business institutions that are engaged in work related to education, public health, family planning, scientific research, culture, cultural relics, art, sports, news, publication, telecommunications, radio broadcasting, television, agriculture, forestry, water conservation, meteorology, oceanology, aquatic products, animal husbandry, geological prospecting, earthquake research, surveying, planning, designing, commodity inspection, storage of materials and goods, social welfare, environment protection, environment sanitation, road maintenance, afforestation, urban construction, and real estate management, and other business institutions are within the scope of levy of the business institution bonus tax.

Business institutions subordinate to state-owned enterprises (not including business institutions to which the state allocates funds to carry out the wage reform) and collectively owned business institutions to which the state does not allocate funds, are not within the scope of levy of the business institution bonus tax.

Business institutions under the military system are levied business institution bonus tax in accordance of the "Provisional Regulations."

Article 3. Every business institution that has opened an independent account with a bank has the duty to pay bonus tax.

Article 4. Bonuses paid by business institutions include the various kinds of bonuses in cash and in kind that are paid through various channels of funds and also include wages, allowances, subsidies, remunerations (which consist of the sharing of income) of bonus nature that are paid in excess of the state's stipulated standards.

Bonus tax is not charged on the various kinds of allowances and foodstuff and price allowances that are paid according to the state's regulations and with approval.

Article 5. If a taxpayer violates the regulations of our financial system and pays bonuses [including wages, allowances, subsidies, remunerations (which consist of sharing of income), bonuses in kind, and so on] from their expenditure funds or other funds for special purposes, in addition to the punishment for violation of financial and economic discipline, bonus tax should be charged on the bonuses paid in such manner by including them in the total amount of bonuses.

Article 6. The "wage increment" mentioned in articles 2 and 3 of the "Provisional Regulations" denote the wage increase paid by business institutions after carrying out their wage reform with the approval of superior responsible departments and financial departments and in accordance with the wage standards and checked wage increase targets stipulated by the state, provinces, autonomous regions, and municipalities. It should not be included in the figure of the total amount of bonuses.

In Article 2 of the "Provisional Regulations," when a business institution which is managed as an enterprise, carries out wage reform this time at its own expense, it should be responsible for paying on its own the increases in wages and subsidies that are paid to its retired personnel in accordance with the relevant regulations and standards of the state.

Article 7. "Business institutions that carry out wage reform partially at their own expense," denote business institutions that carry out wage reform in accordance with the wage standards and ratified wage increase targets stipulated by the state, provinces, autonomous regions, and municipalities, and which are responsible for paying on their own more than 30 percent of the increases.

Article 8. What Article 4 of the "Provisional Regulations" calls "ratified allowance" denotes a standard bonus tax allowance applicable to business institutions that carry out wage reform with funds allocated entirely by the state. This allowance enables these institutions to be excepted from bonus tax when the annual total amount of bonus payments does not exceed the amount of monthly basic wage. Business institutions under central departments should have the amount of allowance checked and approved by the Ministry of Finance, while those under departments at and below provincial level are to have the amount of allowance checked and approved by the provincial, autonomous region, or municipal people's governments. Bonus tax is charged on the amount of bonus payments in excess of the ratified allowance.

Article 9. Stipulations in Article 5 of the "Provisional Regulations" that "the application for approval of allowance should be sent by the superior responsible departments in charge of the various business institutions to the financial departments at the same level for ratification," denote the actual and applicable power of approval for the application by the business institutions listed in articles 2, 3, and 4 of the "Provisional Regulations." The allowance for business institutions subordinate to central departments is to be checked by the Ministry of Finance and that for those at and below provincial level is to be checked by the departments (bureaus) of finance of the provinces, autonomous regions, and municipalities concerned. The duplicates of the documents of approval should be sent to the tax departments in the areas concerned, which will collect and manage the business institution bonus taxes accordingly.

Article 10. In articles 2, 3, and 4 of the "Provisional Regulations" it is stipulated that bonus payments in excess of the allowance "are taxed according to the applicable rates of the bonus taxes on state-owned enterprises. This means that the bonus tax rates on business institutions are the same progressive rates as those on our state-owned enterprises. The tax rate on the portion of annual total bonus payments in excess of the allowance by less than 1 month of the basic wage is 30 percent; that on the portion in excess of 1 month but under 2 months is 100 percent; and that in excess of 2 months is 300 percent.

Article 11. The formula for the calculation of bonus taxes is as follows:

Bonus tax payable equals total annual bonus payments multiplied by applicable tax rate minus quick-calculation reduction coefficient times total monthly basic wage. Total annual bonus payments in relation to basic monthly wages equals total bonuses paid in the year divided by total basic monthly wages.

Article 12. After the total amount of bonuses paid by a business institution reaches the amount of bonus tax allowance for it, it has to pay bonus tax before paying bonuses each time it wants to pay any more bonuses. In other words, the taxpayer should fill a tax return and send it to the local tax department according to the regulations. The bonus should not be paid until the tax department has examined and verified the return, and filled and issued a tax assessment form to the taxpayer, and collected the tax payments into local authorities before the deadline. The actual date for tax payment is to be decided by the local tax department.

Formulas for calculation of the amount of bonus tax that the taxpayer has to pay each time in the year are as follows:

A. Calculation of the accumulated total bonus paid in a year in relation to basic monthly wages:

- 1) average basic monthly wages equals accumulated total basic wages paid in the year divided by number of months;
- 2) accumulated total bonus paid in a year in relation to basic monthly wages equals the accumulated total bonus paid in the year divided by average monthly basic wages.

B. Calculation of bonus tax payable:

The amount of bonus tax to be paid each time in the year equals the accumulated total bonus paid in the year multiplied by applicable tax rate minus quick-calculation reduction coefficient multiplied by total monthly basic wages minus accumulated total bonus tax paid.

Article 13. If a taxpayer's tax, fine, or overdue surcharge is in default despite notice issued to remind him, the tax department can instruct the bank with which the taxpayer has opened an account to pay the tax from the account.

Article 14. Other matters related to the collection and management of business institution bonus tax, including submission of tax returns, tax assessment, punishment for violation of regulations, negotiation of objection, and prosecution, are to be dealt with in accordance with the "Provisional Regulations on Bonus Tax for State-owned Enterprises" and the "Detailed Rules of the Provisional Regulations on Bonus Tax for State-owned Enterprises."

Article 15. The Ministry of Finance has the power over the interpretation of these detailed rules.

Article 16. These detailed rules come into force the day the "Provisional Regulations" come into force.

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CSO: 4005/164

CIRCULAR ON REPORT OF FOUR STATE COUNCIL PLANNING OFFICES

Beijing STATE COUNCIL BULLETIN in Chinese No 34, 20 Dec 85 p 1141

[Circular of the State Council General Office on the Circulation of the Report on the Symposium of Four State Council Planning Offices (29 November 1985)]

(Guobanfa [0948 6586 4099] (1985) No 80)

[Text] The State Council has approved in principle the "Report on the Symposium of Four State Council Planning Offices," copies of which are sent to you for your action.

The four State Council planning offices have done a great deal of work since their establishment. In the light of the economic expansion and the further reform of the economic structure, the State Council planning offices will have to carry out a heavier task. The council hopes that you will, with the spirit of reform and exploration, seriously improve the planning of economic development at the local level, actively promote horizontal economic links and tirelessly open up new ways of economic management to contribute to our economic development.

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CSO: 4005/164

REPORT ON SYMPOSIUM OF FOUR STATE COUNCIL PLANNING OFFICES

Beijing STATE COUNCIL BULLETIN in Chinese No 34, 20 Dec 85 pp 1141-1144

[Report on the Symposium of Four State Council Planning Office (28 October 1985)]

[Text] On 5 October 1985 and 6 October 1986 Comrade Song Ping, State Councillor and minister of the State Planning Commission, chaired a symposium for leading cadres of the four State Council planning offices. At the symposium they reported on their work and discussed the further development of the planning offices. The following is a report on the symposium:

I

Since their establishment, the planning offices have, under the instruction of the State Council, proceeded from their own actual situation and conducted a considerable number of surveys and investigations and developed planning at the zonal level. The Shanghai Economic Zone Planning Office has made plans for the technical transformation of textile exports, the southern base for the electronic industry and the harnessing of the rivers in Taihu basin. The Northeast Economic Zone Planning Office has made plans for energy, transport and technical transformation and conservation of energy in the Northeast Zone during the Seventh 5-Year Plan and made some land planning for certain major localities. The Shanxi Base Planning Office has made tentative plans for the exploration of the base, plans for the railway construction of the base, and plans for the development of rural and township coal mining in the year 2000. It has also started the planning for small districts in Jiaozuo Prefecture in southeastern Shanxi. The Three-Front Planning Office has proposed more than 100 plans for enterprise modification and technical transformation which should be given full play. The above-mentioned plans have played a considerably significant role in harmonizing the relationship among departments or regions and in striking an overall balance in the zone. They have been of great help in the drafting of the Seventh 5-Year Plan and the plan for the coming decade.

All planning offices have actively explored the reform of the economic structure. The Shanghai Economic Zone Planning Office has held interprovincial and intermunicipal conferences for 27 trades and established the Shanghai Economic Zone Eastern Joint Development Co. The Northeast Economic Zone Planning Office has established the Northeast Zone Water-Land-Air Transport Agency, and the Electric and Economic Technology Group. Furthermore, 28 major enterprises and design units, such as the Harbin Power Station Whole Equipment, Liaoning Electric and Transmission Co and the Eastern Electric Survey and Design Institute have been merged with a view to sharing the responsibility of

surveying, designing, generating, supplying, and transmitting electricity and of providing installing, adjusting, testing, and other technical services. The Shanxi Base Planning Office has formed a joint conference for the joint exploration of coal, electricity, water, and aluminium in southeastern Shanxi and Jiaozuo localities. It has also established a leading group for fertilizer and coal formed by Shanxi Province and the Ministry of Chemical Industry with a view to rationally utilizing the anthracite in southeastern Shanxi. The Three-Front Planning Office has held meetings on economic and technological cooperation of the localities in the First and Third Fronts to further promote cooperation among the East, Central and Western regions. Such forms of achievements have gone beyond the restrictions in administrative regions and departments. They have promoted horizontal economic ties.

The four planning offices have actively initiated the study of the distribution of productive forces. The Shanghai Economic Zone Planning Office and the Northeast Economic Zone Planning Office have coordinated various forums on the strategies of economic and social development. Furthermore, the Shanghai, Northeast and Shanxi planning office have conducted a number of topical surveys and studies.

In sum, the planning offices have done a considerable amount of work since their establishment and, with the ardent support of the provinces, autonomous regions, municipalities directly under the central government, and departments concerned, scored remarkable success. It has been proved through practice that strong economic ties really exist within economic zones and that there is a need to make further zonal development plans so as to strengthen such ties. The reason for the State Council to establish these corresponding planning offices is to meet such an objective demand. These planning offices help develop the zones' economy and play a significant role in breaking through the outmoded economic structure and crossing the barriers existing among departments or regions and developing horizontal economic ties.

II

The further development of the work of the planning offices was discussed at the symposium. It was generally accepted that the four planning offices were different from the economic cooperative zones and the planning committees under the bureaus of the central government in that they were formed to meet the new demands arising from the economic development and the reform of the economic structure and to explore new ways of economic management. Through the work which has been done, people have come to know better the significance of setting up different economic zones and the important effect of economic zonal planning. In the light of the gradual progress of the reform of the economic structure, the further development of economic links and the further expansion of zonal planning, the work of the planning offices will be further enriched. Moreover, the planning offices will have to meet greater challenges and will play a greater role in the reform of the economic structure and the development of productivity. This type of economic zonal planning is full of vitality and it should be strengthened, not weakened.

It was agreed at the symposium that though they were not grade-one administrative organs and they did not have to deal with administrative or financial matters, the planning offices were free from restrictions of all kinds and they were able to make strategic plans of greater scope, harmonize economic links, and make major proposals. Members at the symposium agreed that in the future they should actively and creatively carry out the work assigned to the planning offices by the State Council.

1. To do a good job in zonal planning: In planning, all planning offices should proceed from the overall national economy, give full play to the distinctive features of the individual zones and set priorities. At present, instead of making all-inclusive plans, the planning offices should pay attention to plans which are closely related to the economic and social development of the zone concerned. Examples of which are the Shanghai Economic Zone's foreign trade development and energy and transport plans, the Northeast Economic Zone's technical transformation of old enterprises, and energy and transport plans, the Shanxi Base's development plans for coal, electricity, roads, and energy-consuming industries, and the Three-Front's plans for enterprise readjustments. In making plans, not only should the objectives be set and the projects be proposed, but economic policies and measures for the implementation of the plans should also be laid down and proposals for the reform of the economic structure be made. The planning offices should also strike a necessary zonal balance.

2. To continuously explore new ways of economic management suited to national conditions and the distinctive features of localities: To actively promote horizontal economic ties, to seriously sum up the existing forms of experience in horizontal economic ties, and to improve such ties in accordance with the objective demands of the economic pattern.

3. To give full play to the harmonizing function of the planning offices: In making zonal plans and promoting economic cooperation, all planning offices should harmonize ties among departments, among localities and between the two in a bid to achieve a close link between zonal and state economic development.

4. To conduct in-depth surveys and studies, in particular those related to long-term or strategic issues, and make proposals to the state for consideration.

5. To gradually develop planning consultation services: To widely coordinate social forces and to investigate, study and analyze the basic conditions, distinctive features, superiority, and major problems of each economic zone. To gather more information for analysis and provide planning consultation services to the zone and departments concerned so as to give correct guidance for the economic development of the zone.

III

In order to enable the planning offices to do a better job in the future, the symposium decided that the external liaison of the planning offices should be further spelled out and that conditions necessary to do the work should be created.

1. The four planning offices are directly under the State Council and managed by the State Planning Commission on its behalf. In planning and reforming the economic structure, the State Planning Commission, the State Economic Commission, the State Commission for Restructuring Economic Structure and the State Scientific and Technological Commission should always maintain a close link with the planning offices and to give them help and guidance. The National Defense Scientific and Technological Commission should maintain a close link with the Three-Front Planning Office and give it assistance and guidance.

The State Planning Commission should further improve its management on behalf of the State Council. The planning offices' plans are treated as the first stage of planning, on which the State Planning Commission's layouts are based. Priority should, therefore, be given to such plans. The State Planning Commission should seriously study the plans and proposals made by the planning offices. Prior consent on major targets, key construction projects and important technical transformation items, particularly arrangements for "group projects," within the nationwide layout, views of the planning offices concerned should be sought. The State Planning Commission should always keep abreast of the progress of the planning offices and provide them with information concerning the economy as a whole. It should also instruct them to analyze major problems related to zonal economic development. From now on the commission should conduct two symposiums for leading cadres of the planning offices a year and assign a deputy minister to take charge of the daily liaison work with the planning offices. Actual liaison work should be done by zonal bureaus and the actual liaison work of the Three-Front Planning Office should be done jointly by the National Defense and zonal bureaus.

In the course of planning, the planning offices should take the initiative to liaise with the State Planning Commission and the departments under the State Council to exchange information.

2. All provinces, autonomous regions, municipalities directly under the central government and departments under the State Council should actively take part in and support the work of the planning offices.

3. Representatives of the planning offices should be invited to attend major meetings conducted by the State Planning Commission, the State Economic Commission, the State Commission for Restructuring Economic System, the State Scientific and Technological Commission, or the departments under the State Council involving the work of the planning offices. Documents and information related to planning should be circulated to the planning offices.

4. In order to enable the planning offices to do a better job in coordinating social forces to analyze major issues in planning and compile information sheets, the Ministry of Finance is hereby requested to appropriately increase the State Planning Commission's budget for operating expenses according to its actual needs and financial conditions to pay for the four planning offices' surveys and other related expenses.

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CSO: 4005/165

REPORT ON DEVELOPING INSURANCE FOR FOREIGN ESTABLISHMENTS

Beijing STATE COUNCIL BULLETIN in Chinese No 34, 20 Dec 85 pp 1149-1152

[Report of the Chinese People's Insurance Co on the Development of Insurance Business Involving Foreign Establishments to Increase Foreign Exchange Income (11 October 1985)]

[Text] In line with the spirit of trying hard to increase nontrading foreign exchange income as instructed by the leading comrades of the central government and the State Council, we have studied the development of insurance business involving foreign establishments to increase foreign exchange income and would like to report to you the following:

I

With the implementation of the policy of opening the country to the outside world, this company has rapidly developed the insurance business involving foreign establishments during the past few years and has been operating over 40 types of insurance. Insurance business involving foreign establishments is now in operation in every province, autonomous region, and municipality directly under the central government except Qinghai and Xizang and the volume of business doubled every year. This company's overseas branches have also been doing well during these few years. The amount of insurance premium received by the four Hong Kong and Macao branches in 1984 increased nearly 30 percent as against 1983. Their profits have also increased year by year.

The development of insurance business involving foreign establishments plays an active role in providing economic protection and insurance against risks (including material losses and liabilities) and helps to promote foreign trade and economic transactions and attract foreign investment.

II

The income from premiums of insurance business involving foreign establishments is a major form of foreign exchange income from invisible trade. Countries throughout the world have attached great importance to this type of insurance business and have actively developed it. At present, our development of insurance business involving foreign establishments is quite slow. Its premiums only make up a very small portion of all nontrading foreign exchange income. This is extremely incongruous with the new situation emerging after the implementation of the policy of opening the country to the outside world. Taking

freight insurance of imports and exports, which ranks first among all types of insurance income, as an example, only 50 percent of our exports are insured in China. Very few large commodities, such as oil which makes up one-third of the total volume of transactions in exports, are insured by this company. Nearly 90 percent of the imports involving normal trade are insured in China. But most of the equipment imported under certain loan schemes is insured by overseas insurance companies. Furthermore, none or only a very few insurance policies involving joint ventures, enterprises financed solely by foreign investors, foreign responsibility contract items, and labor and business cooperation projects, foreign tourists and compatriots in Hong Kong and Macao visiting China, public liabilities of resident staff of overseas organs, our overseas resident organs, trade centers set up overseas, and joint and cooperative enterprises are insured in China. It can be said that the potentials of insurance business involving foreign establishments are great and that much can be done.

We believe that if we strengthen the leadership and adopt effective measures and if we are supported by the departments concerned, it is absolutely possible to increase the annual growth rate of insurance income (excluding international reinsurance and insurance income of overseas establishments) from 10 to 18 percent during the Seventh 5-Year Plan.

III

The following measures should be adopted to further develop insurance business involving foreign establishments:

1. To actively start publicity work: Insurance companies should, under the support and assistance of various departments and trades and public opinion, use various means to actively publicize the significance of developing insurance business involving foreign establishments and increasing nontrading foreign exchange income and of the advantages of developing such business to the expansion of international economic contacts, to mobilize various forces and support the development of insurance business involving foreign establishments.
2. To perfect the regulations on insurance in economic laws involving foreign business: Insurance regulations should be incorporated into economic laws involving foreign business, which have been enacted and promulgated, in accordance with Section 3 of the "Provisional Regulations on the Control of Insurance Enterprises" promulgated by the State Council as Guofa (1985) No 33. (published in STATE COUNCIL BULLETIN No 9, 1985) China should also speed up the drafting and promulgation of regulations on public liability insurance for foreign enterprises, establishments, and their staff and regulations on third party insurance of automobiles.
3. Foreign affairs and foreign trade departments of governments at all levels should direct and assist the development of insurance business involving foreign establishments: Foreign trade departments should keep insurance companies informed of their major meetings and discussions with foreign investors. Representatives of insurance companies should be invited to attend such meetings

and discussions if necessary. The question whether insurance regulations should be included should be taken into account when approving feasibility reports and draft contracts concerning foreign projects. In contracting foreign construction projects, our labor and business export units should strive to have the projects insured in China, provided this is not in contravention with the law governing the opposite party. If insurance is bought for the property of staff of our overseas embassies, it should be done in China, unless the foreign government concerned states otherwise. Our overseas banks should work closely together with our insurance institutions in that country with a view to actively promoting various types of insurance business. In dealing with loans and mortgages, such banks should strive to have the loan securities insured by our insurance institutions. Insurance companies may when necessary, send resident staff to companies and trade centers set up overseas under our economic and trade system to assist the development of insurance business. Our tourist departments should actively assist insurance companies in developing insurance needed by foreign tourists visiting China.

4. To allow insurance companies to use economic means to promote their insurance business: Quite a considerable portion of insurance business involving foreign establishments relies on the effort of economic and trade departments and professionals of other departments concerned. For instance, the competition for freight insurance of imports and exports is very keen on the international market. In order to increase the income of insurance involving foreign establishments, our economic and trade departments and other departments concerned have to make extra effort and conduct tough drawn out negotiations before they can defeat their competitors. In order to encourage the staff of economic and trade departments and other departments concerned to actively assist insurance companies in developing their insurance business involving foreign establishments and help the state increase its nontrading foreign exchange income, insurance companies may charge administrative fees (whose amount is proportional to the premiums, normally ranging from a fraction of 1 percent to several percent) payable (in RMB) to the above departments which should then give such money (in the form of awards on top of other bonuses) to those staff who have performed well. Such awards are tax-free. Details should be worked out by the Ministry of Finance and will be made known to lower authorities for execution.

5. To disallow for the time being foreign insurance companies to operate in China to strengthen the development of this insurance company: Since its separation from the Bank of China last year, this insurance company has failed to meet the increasing demand, even though the number of organs and staff has grown. The quality of the staff of the insurance business involving foreign establishments should be improved. They should have more understanding of world economy and laws concerning foreign establishments. They should also be proficient in foreign languages. It is, therefore, hoped that, apart from the training of incumbent cadres provided by us, the Ministry of Education will allocate a definite number of foreign language, finance, and insurance college graduates to this company and open insurance programs at certain colleges in a planned manner to speed up the training of insurance cadres. This insurance company should try to improve its service quality, introduce more forms of insurance and to strengthen China's competitiveness in insurance.

Please approve and execute this report if you find it appropriate.

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END