

# No Personal Income Tax in China

by Tsai Cheng

**I**N a society ruled by the exploiting classes, taxation is a means by which they fleece the labouring people. In capitalist countries, taxes are the main source of state revenue and all taxes will be finally shifted on to the labouring people and will inevitably bring poverty to the latter.

In socialist countries under the dictatorship of the proletariat, state power is in the hands of the working people. The revenue depends mainly on the growth of socialist production. Taxes in these countries do not affect the income of the working people. Because they are used to develop socialist economy and culture, they promote the welfare for the working people and serve to consolidate the dictatorship of the proletariat.

In China, aside from state-owned enterprises which pay taxes to the state in the form of accumulation, production teams—the basic accounting units of the people's communes—pay agricultural tax to the state. In regard to agricultural tax, China has for many years followed the policy of not raising the amount of tax when farm production expands. If there is a crop failure resulting from natural disasters, agricultural tax may be reduced or exempted. During the Second Five-Year Plan, agricultural tax was greatly reduced with a view to promoting the development of agricultural production, consolidating the collective economy and raising the living standard of the peasants. Instead of increasing agricultural tax after getting rich harvests for nine successive years, China has cut the amount of tax by about one-third as compared with the early days after liberation. Agricultural tax in proportion to actual farm output has been reduced from 12 per cent in 1953 to 6 per cent today.

A distinctive feature of China's tax system is that no personal income tax has ever been levied since liberation. Working people in both the cities and the countryside do not pay taxes on their wages or other income from labour. Most of the Chinese youth do not know that it is necessary to pay "income tax." Naturally they are surprised to learn that workers in many countries of the world have to pay taxes after they receive their wages.

Things were quite different under Kuomintang rule before liberation. There were numerous exorbitant taxes and miscellaneous levies. Statistics published in the then newspapers showed that there were 1,756 kinds of taxes and levies in the Kuomintang-controlled areas. Under the item of income tax alone, tax was collected on salary, interest from securities and bank deposits, rentals and sales of property, income from profit-making enterprises, income from occasional profit-making activities, excessive profit, etc. The tax regula-

tions stipulated that workers earning a monthly wage of over 30 yuan of Kuomintang currency (fapi) had to pay "salary income tax." It was very difficult for those workers with such meagre wages to support their families, yet they still had to take a portion of their income to pay the tax. The malignant inflation, the soaring prices plus the exorbitant taxes and levies by the Kuomintang reactionaries made life impossible for the working people who were suffering from hunger and cold to the extreme extent.

The founding of New China has changed the nature of the state power; the nature of taxation has also fundamentally changed. In accordance with Chairman Mao's instruction "Lighten the burdens" of the people, New China has first of all abolished the exorbitant taxes and miscellaneous levies instituted by the Kuomintang reactionaries, established a nationally unified new tax system and particularly abolished the personal income tax. Workers' wage income, the remuneration for the commune members' labour and other income from labour are placed entirely at their own disposal. Even writers, actors or actresses and others who receive relatively high wages do not pay personal income tax. This is inconceivable to the people living in the capitalist countries.

According to the figures published by the U.S. Government, tax income in the United States in 1970 amounted to 190,000 million U.S. dollars, nearly half of which was from personal income tax, i.e., more than 90,000 million U.S. dollars. Industrial workers getting middle-grade wages in the United States pay 10 to 16 per cent of their wages as personal income tax to the federal government. Besides, they must pay personal income tax to the state and local governments. These plus other taxes and levies raise their actual tax burden to about one-third of their wage income. Ruthlessly exploited by the governments at different levels through all kinds of taxes and levies, the working people in the United States find their life in dire misery. To evade paying heavy taxes, some writers, directors, actors and actresses getting high incomes were compelled to live abroad.

The progress in China's socialist construction and the growth in industrial and agricultural production have opened up more magnificent prospects for increasing financial revenue. Guided by Chairman Mao's proletarian revolutionary line and the series of his principles and policies, people working on the financial and economic front like those on other fronts will strive to build China into a great socialist country with modern agriculture, modern industry, modern science and culture and modern national defence.