



# THE FISCAL ASPECTS OF AGEING IN CHINA

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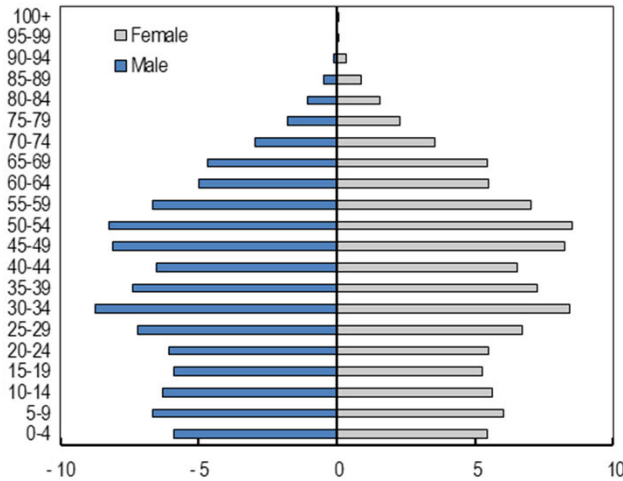
AFTN Seminar “Dawn of a New Age in the ASEAN+3  
Shanghai 6-7 June 2024



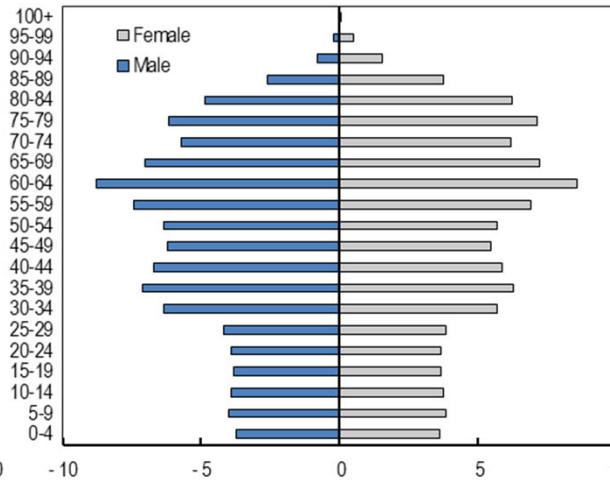
# Ageing is rapid

## China

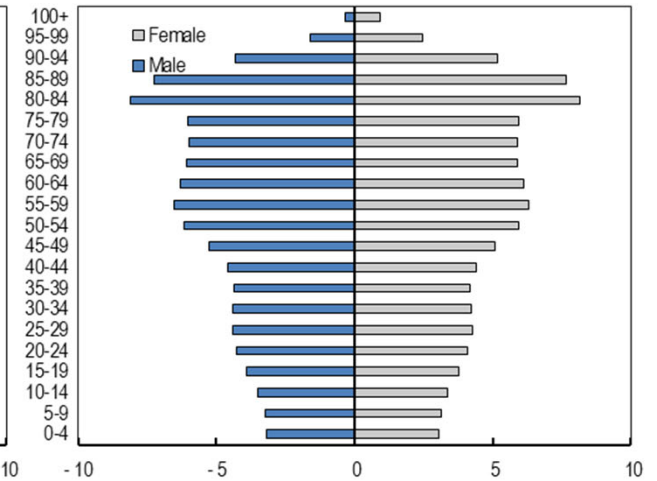
2020



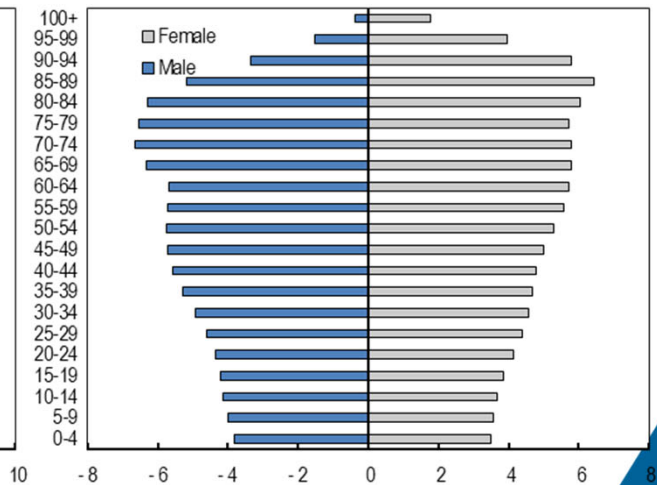
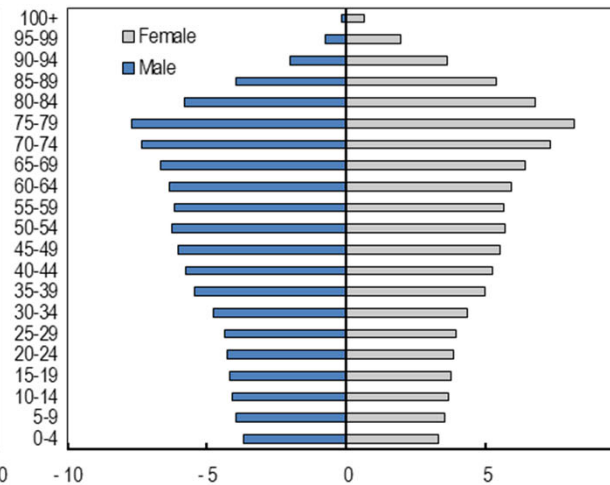
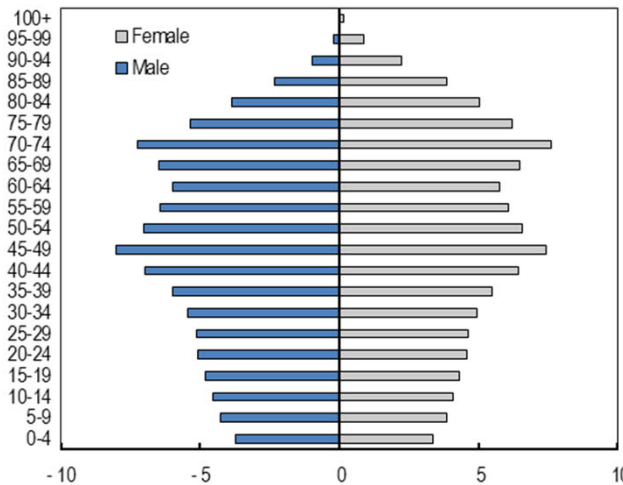
2050



2100



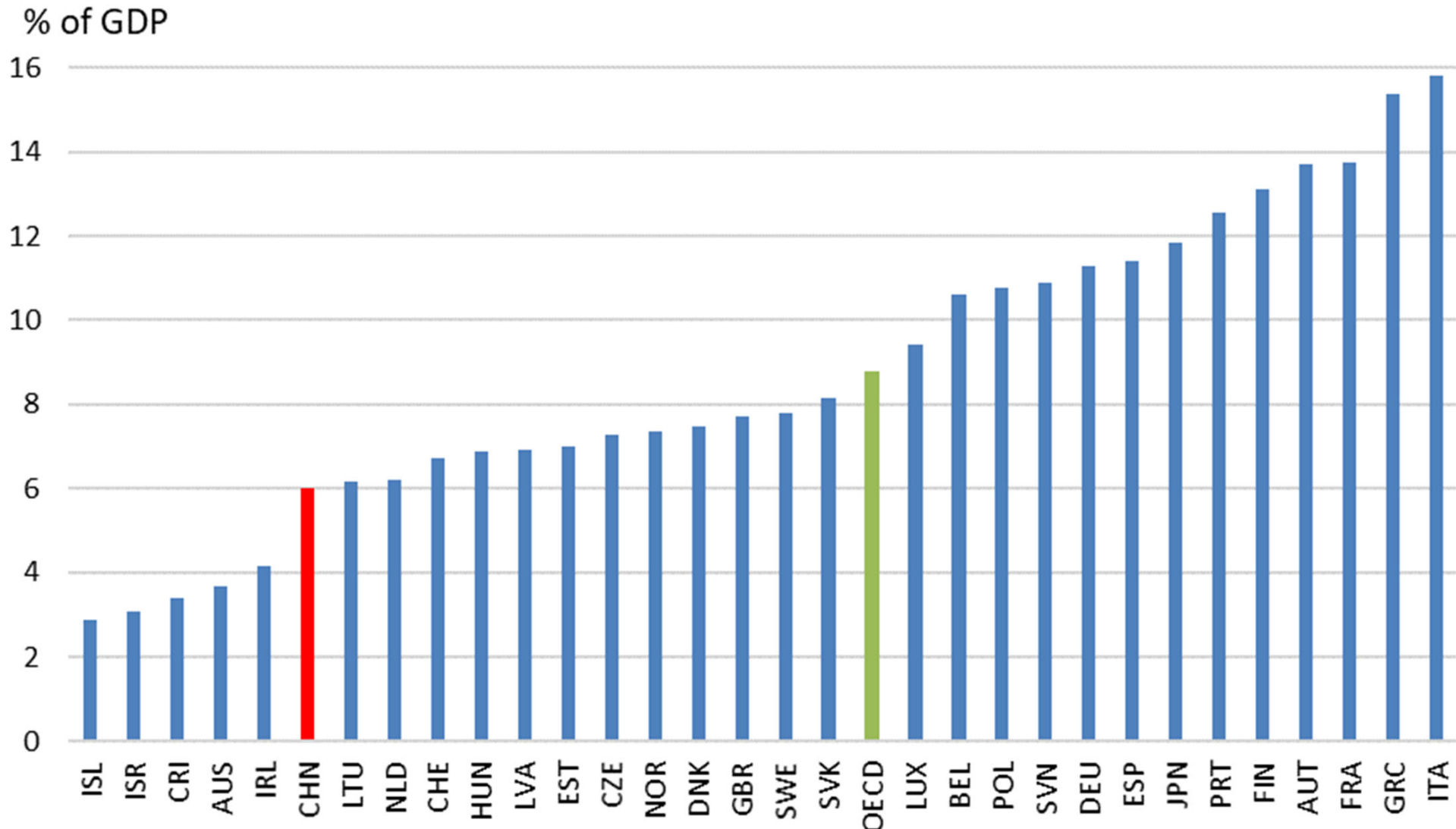
## Japan



Source: UN Population Prospects database.



# Public spending on pension benefits is relatively low (2019)

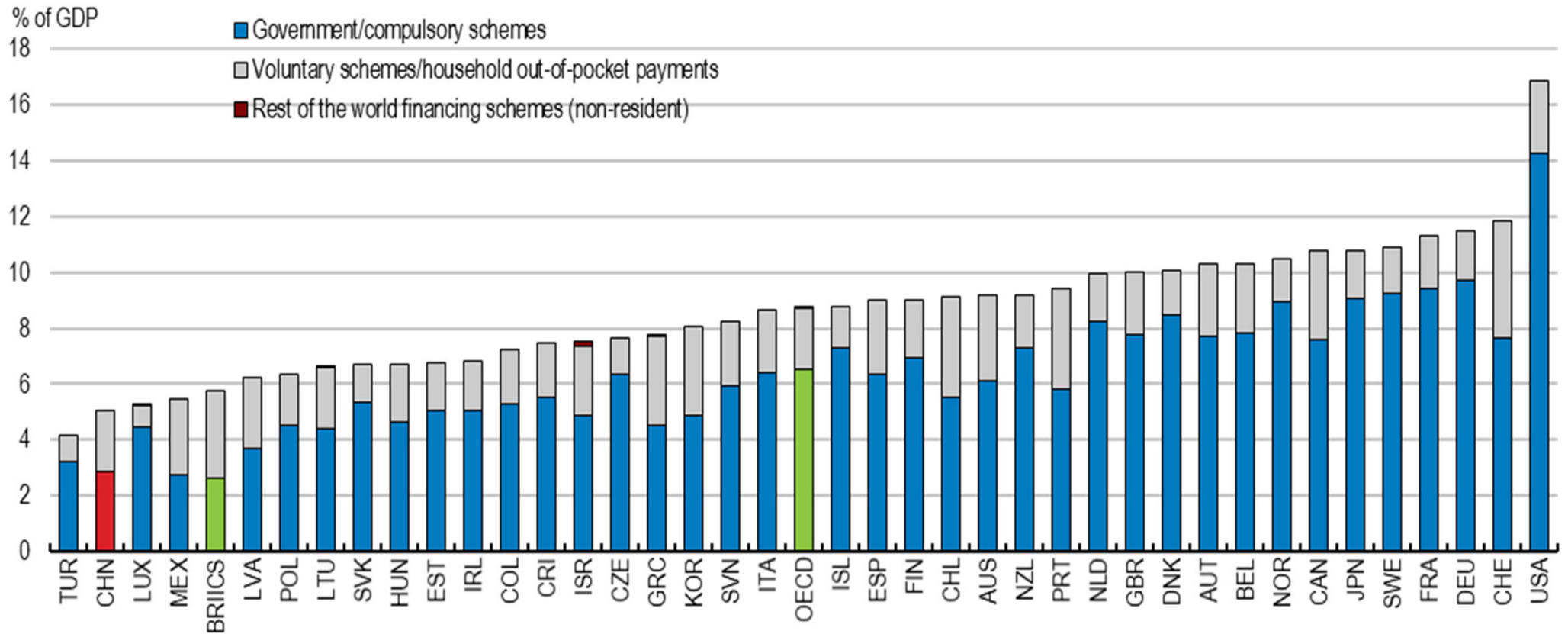


Note: The OECD average refers to the average of the countries for which data are available.

Source: OECD Public Finance database and Ministry of Finance of China.



# The out-of-pocket share of health spending is high

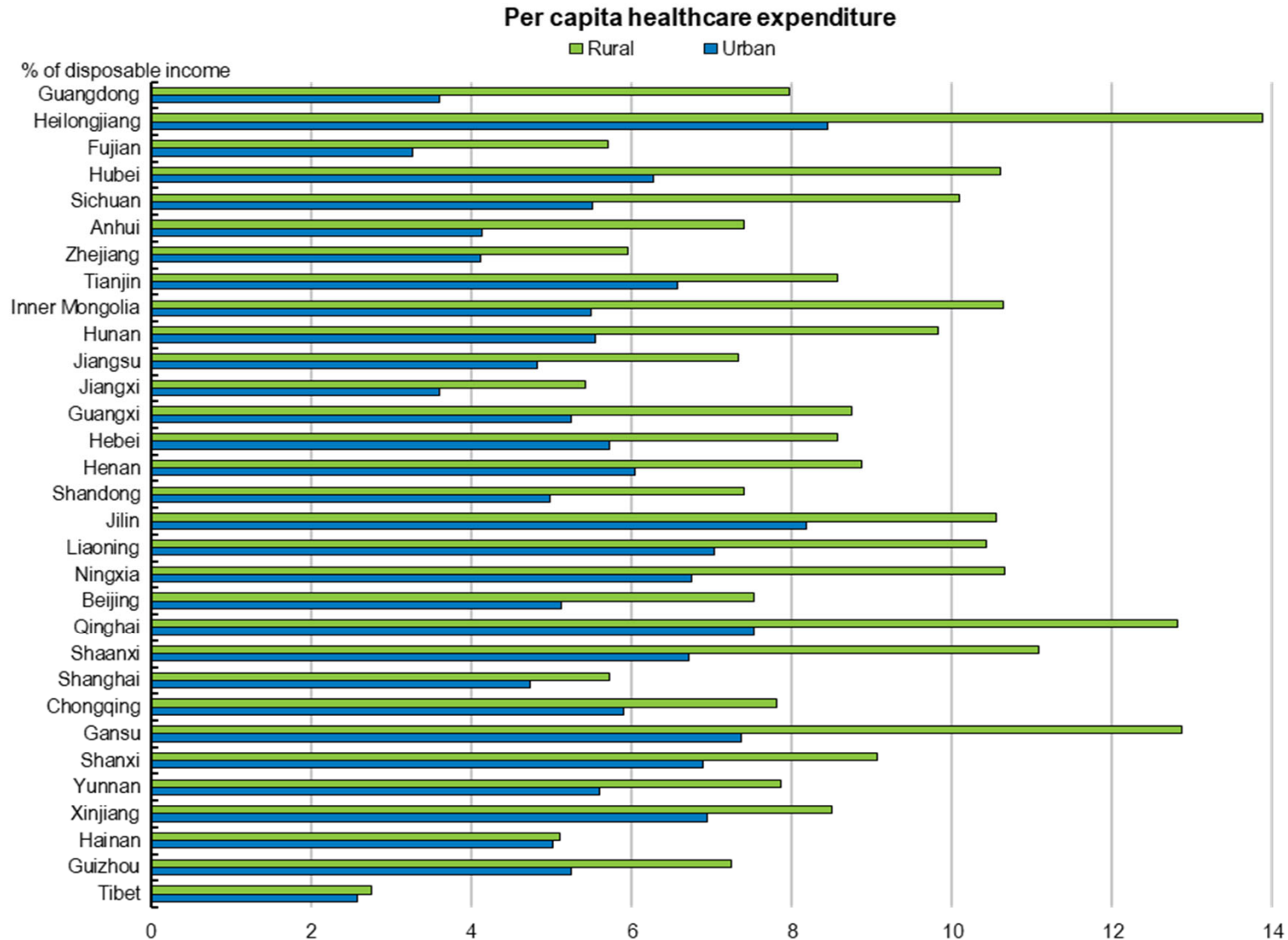


Note: 2019 or latest year.

Source: OECD Health database and National Health Commission of China.



# Health spending can be a big burden in rural areas

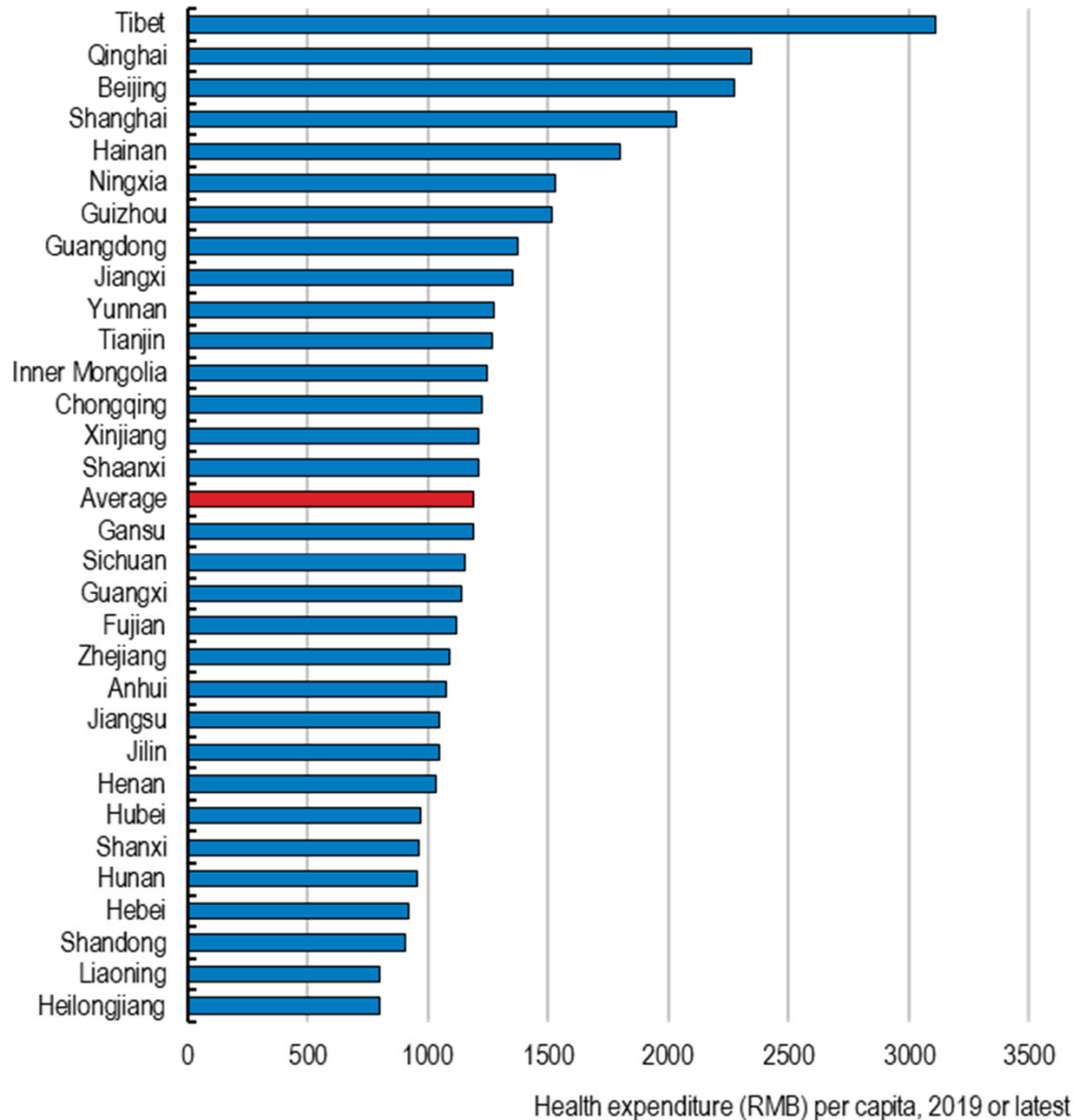


Note: Data refer to 2018.

Source: National Bureau of Statistics of China.



# Per capita spending on health varies widely across provinces (2019 or latest data)

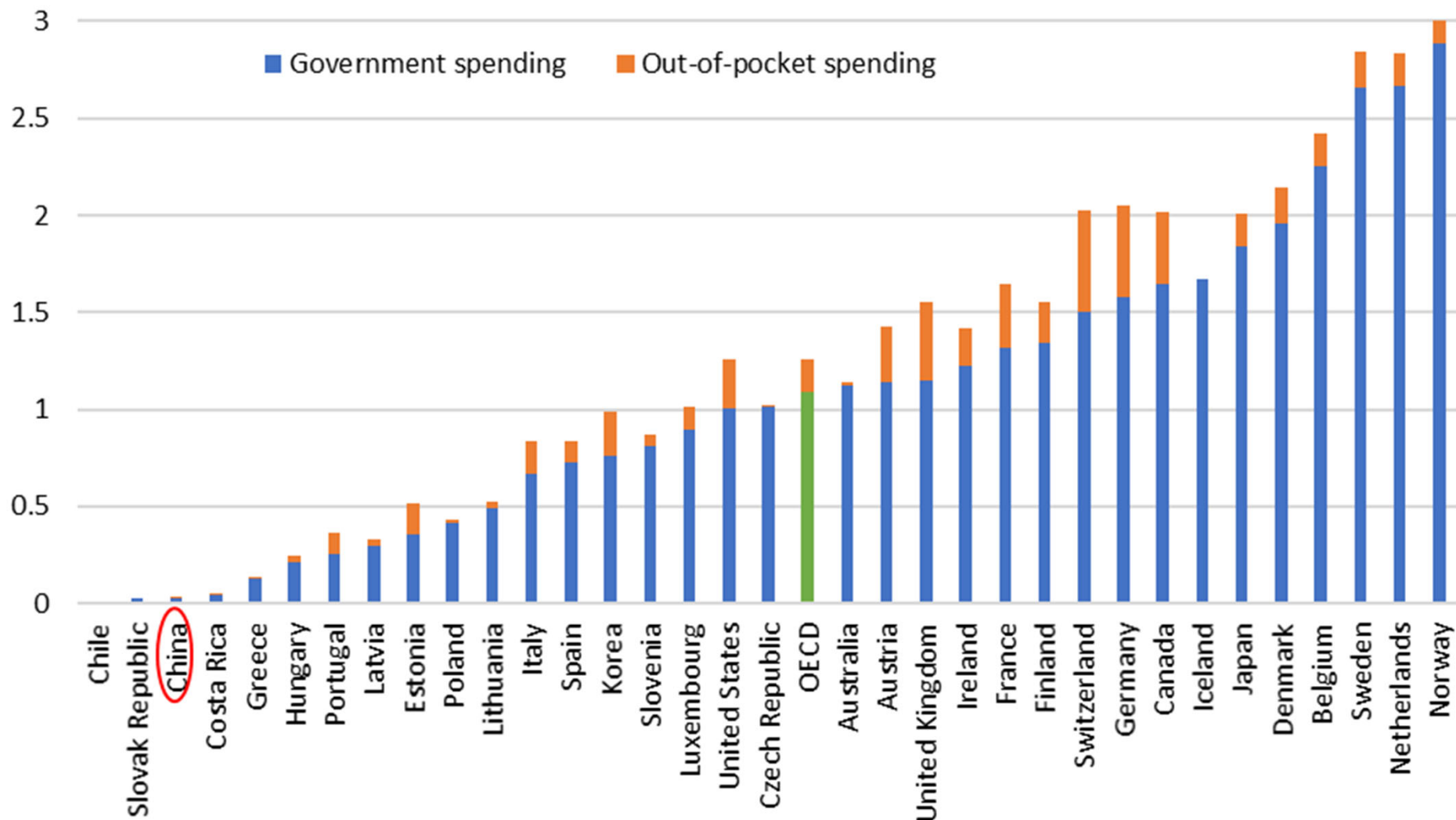


Source: OECD calculations based on CEIC database.



# Spending on long-term care is modest

% of GDP



Source: OECD Health Expenditure and Financing database and China's National Health Commission.



## Resources are needed to meet spending needs

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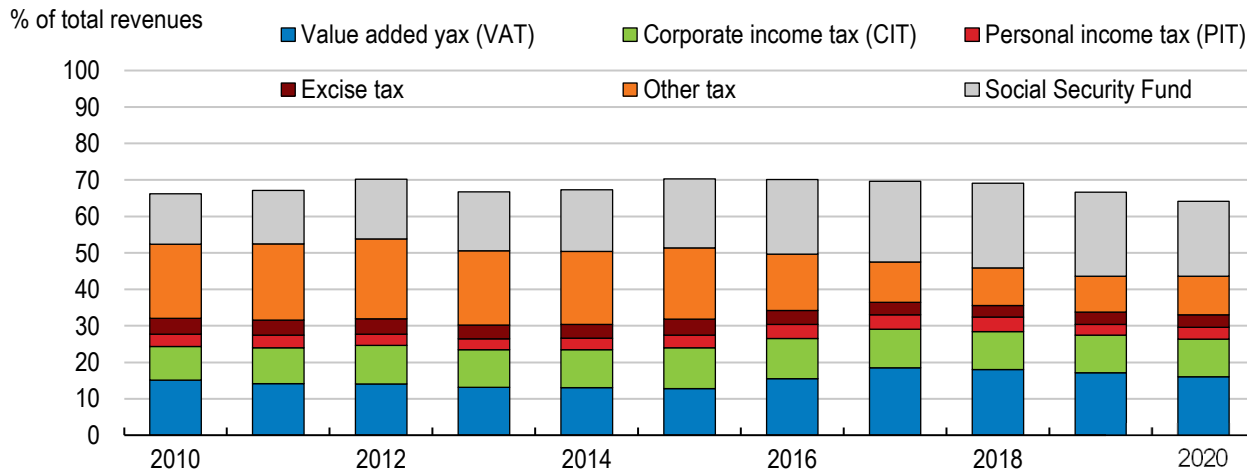
- The share of taxes is relatively low in revenues
  - The share of personal income tax receipts is particularly low
  - Real estate tax (recurring tax on the ownership of real estate)
  - Environmental taxes
  
- State-owned enterprise dividends should increase



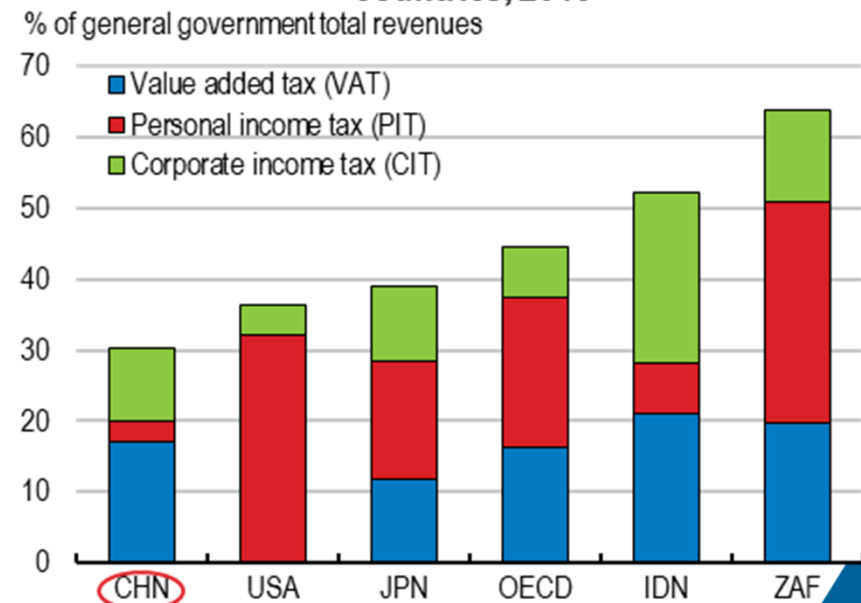


# Taxes represent a small and declining share of government revenues

## Structure of revenues



## Less reliance on income taxes than in other countries, 2019

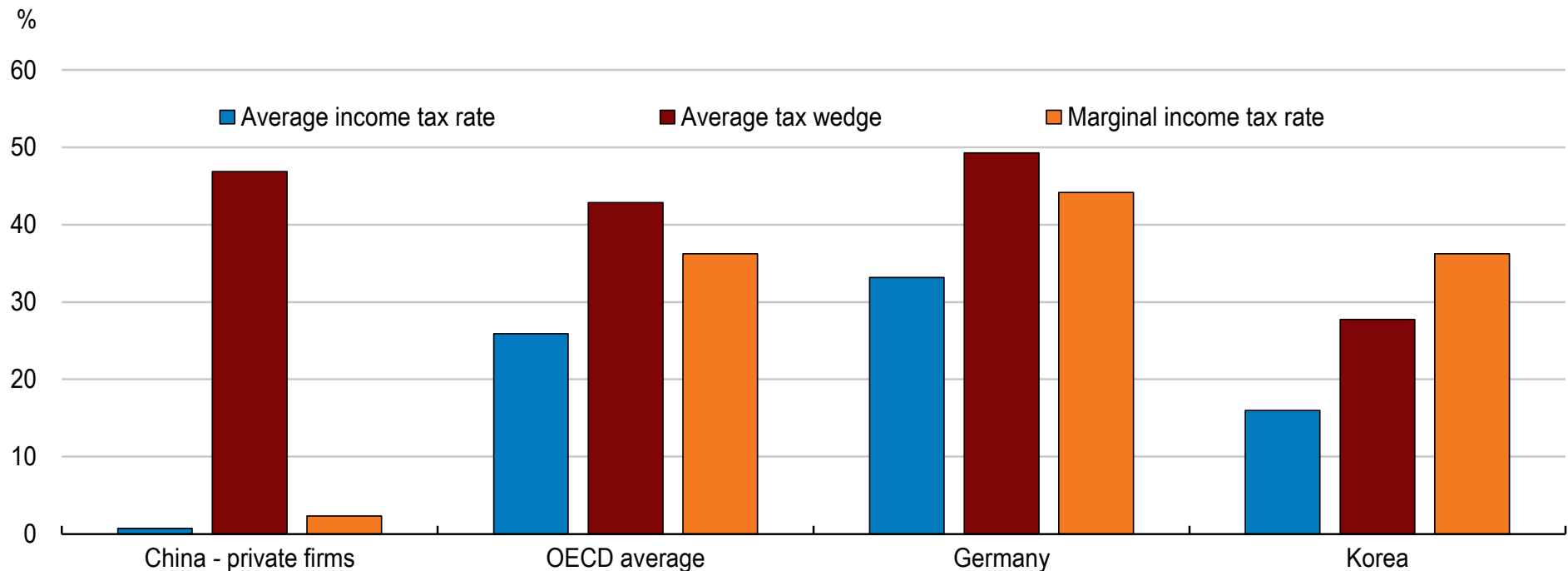


Note: Total revenue includes revenues in the general, fund, social security and state-owned capital management accounts. Source: Ministry of Finance.



# People pay little income taxes

## Tax rates at 2.5 times the average wage



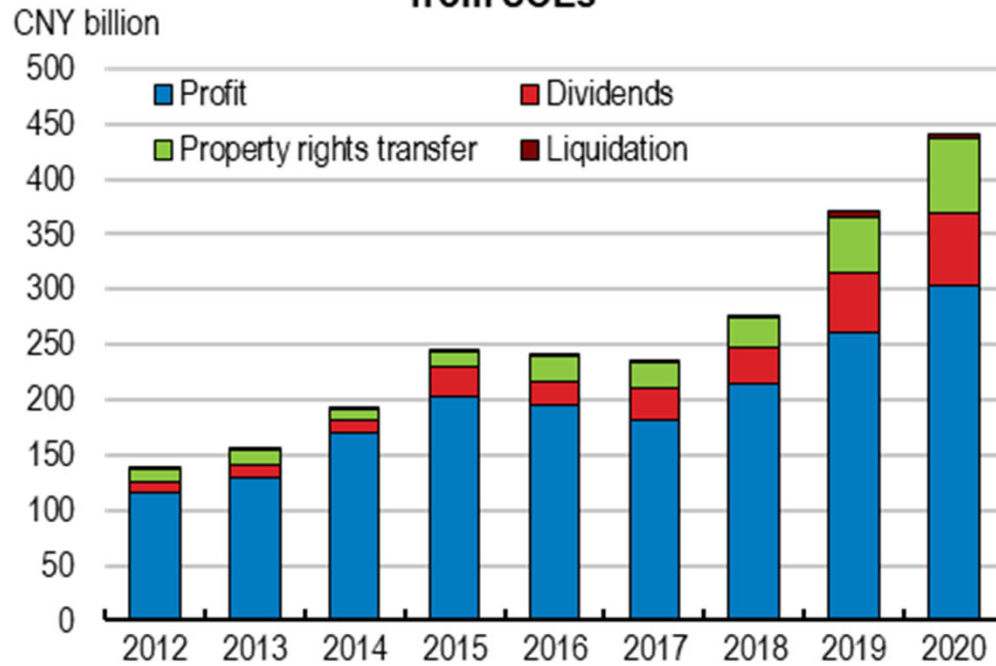
Note: The tax wedge includes social security contributions by both employers and employees. Calculations for China were based on the 2018 personal income tax reforms. Tax rates at 250% of the average wage and marginal income tax rates for OECD countries are as of 2017.

Source: OECD Taxing wages database for OECD countries and OECD calculations based on the Amendment to the Personal Income Tax Law passed by the 5<sup>th</sup> meeting of the 13<sup>th</sup> Congress of the NPP Standing Committee on 31 August 2018 and National Bureau of Statistics data.

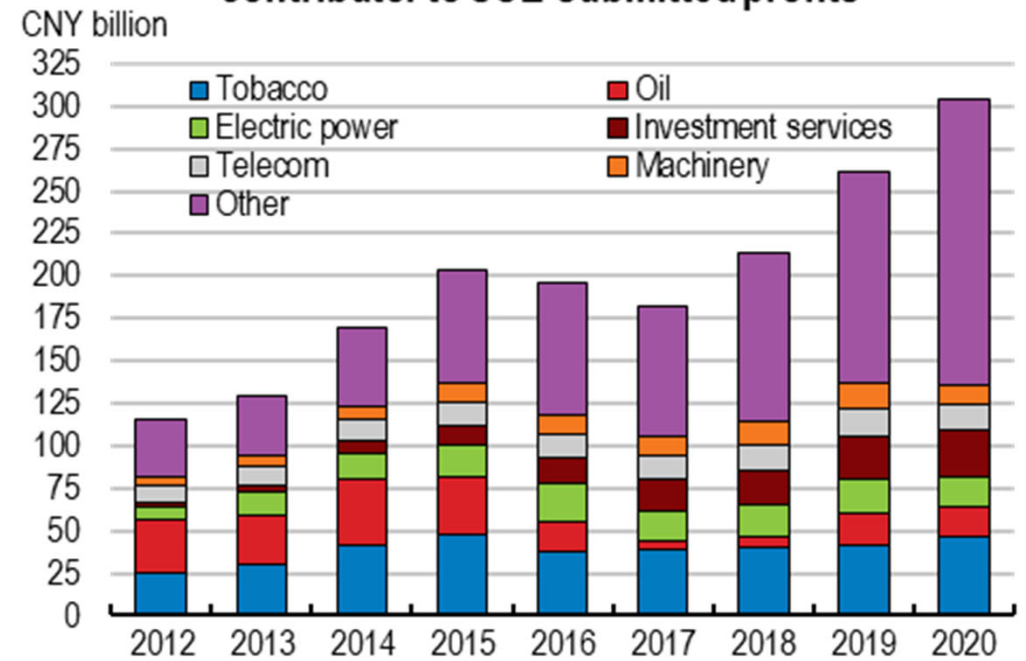


# State-owned enterprise profits could be better mobilised

## A. Profit is the major form of fiscal revenue from SOEs



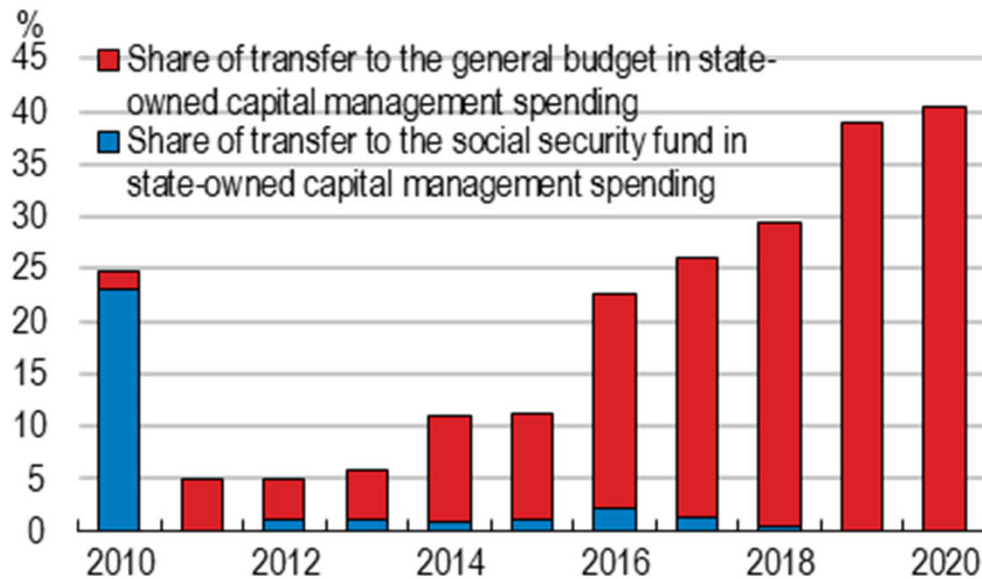
## B. The tobacco industry remains the major contributor to SOE submitted profits



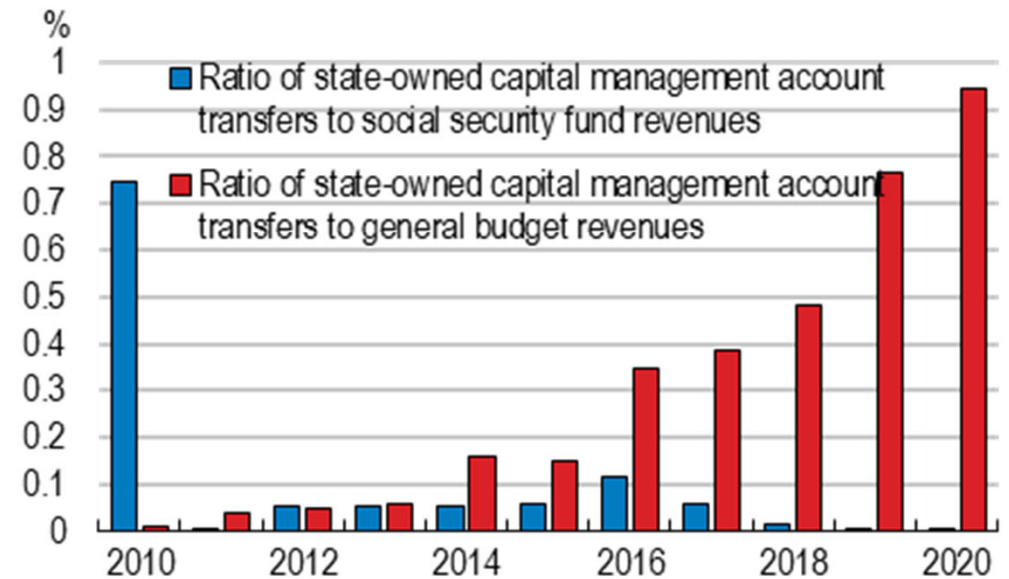


# State-owned enterprise profits increasingly contribute to the general budget and the social security funds accounts

**A. An increasing share of state-owned capital management account revenues goes to the general budget**



**B. Transfers from the state-owned capital management account are still small for the overall budget**





# Policy recommendations

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- As ageing will impose a burden on public finances, in addition to gains from increased spending efficiency, more revenues need to be raised to cover related costs.
  - Personal income tax
  - Real estate tax
  - SOE dividends



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Thank you !

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