

China Law Update

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China's Recent Real Estate Policies

78 Centrally administered State-owned enterprises ordered to withdraw from real estate development.

Soon after the NPC (the National People's Congress) and CPPCC (the Chinese People's Political Consultative Conference) sessions, during which the top authorities expressed concerns over housing prices and possible intentions to control the property bubble, Beijing's land prices reached record highs, and the biggies shareholders of the winners in the recent three biggest land auctions were all state-owned firms.

In response to this phenomenon, on March 18, the State-owned Assets Supervision and Administration Commission (SASAC) urged the 78 centrally administered State-owned enterprises (SOEs), whose major business was not property development, to come up with plans for withdrawing from the real estate sector in 15 working days.

Since 2003, the SASAC has been reorganizing the businesses of the SOEs. It previously approved 16 centrally administrated SOEs to run real estate developments as their major business. However, 78 other SOEs are also engaging in this business, sometimes under the name of their subsidiaries. According to SASAC's order, the 78 SOEs' businesses will be reorganized and they must withdraw from China's real estate industry once their current property projects have been completed.

The issuance of the order on March 18 is not the first time the central government has tried to reorganize the SOEs' business and to transfer certain business to firms it believes to be more efficient. Earlier this year, in January, the SASAC ordered the SOEs whose major business is not property development or travel industry, to withdraw from the hotel industry.

The Ministry of Land and Resources temporarily halts sales of land for residential purposes.

On March 22, the Ministry of Land and Resources put a temporary ban on sales of land for residential purposes, requiring local authorities to refrain from selling land for residential purposes until this year's housing land supply plan is released in early April.

Xiaosu Yun, Vice-Minister of Land and Resources, said in a conference on March 22 that, in

order to effectively control the land and housing price, the Ministry and local land and resources authorities should make sure that 70 percent of the overall land supply for residential purpose is for low-income housing projects, sanity units' renovations and small and mid-sized residential units development.

In a notice issued by the Ministry of Land and Resources on March 11, a contract has to be completed and signed within 10 days after a land auction, and a 50% deposit has to be paid within one month after the contract is signed. The notice also sets minimums for land price and deposit for land auctions, and penalties for violating it.

The State Administration of Taxation amends the tax incentive for first-time purchase of ordinary housing.

In 2008, to reduce the tax burden of low-income families purchasing property for residential purposes, the State Administration of Taxation (the SAT) issued a Notice (Caishui [2008] No. 137), lowering the property deed tax rate to 1% for first-time individuals' purchase of ordinary housing sized no more than 90 square meters. On March 23, in a new Notice (Caishui [2010] No. 13), the SAT clarified that, in a case where two or more individuals are purchasing ordinary housing with the size of no more than 90 squares, if any of the buyers have purchased property on the record, the 1% first-time property deed tax won't apply to the transaction.

The new Notice aims at individuals who own property and take advantage of the low property deed tax by purchasing small size apartments jointly with other individuals who are first time buyers.

New real estate rules introduced by Hainan's provincial government.

On March 4, Hainan provincial government [promulgated a regulation](#) to respond to the central government's policy to control the land price, and also to suppress the skyrocketing real estate prices in the province.

Under the regulation, real estate purchase contracts must be put on record and advance notice registration within 10 days after the contract is concluded. No one can transfer title of the property before getting a certificate of the right of property ownership. In addition, the regulation requires that the price of land usage right must be paid within 60 days after the land contract becomes legally effective. If such price is not paid off within 90 days after the deadline, the government will have the right to terminate the land usage right contract and to keep the deposit.

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