

**REPORT ON THE EXECUTION OF THE CENTRAL AND
LOCAL BUDGETS FOR 2021 AND ON THE DRAFT CENTRAL
AND LOCAL BUDGETS FOR 2022**

*Fifth Session of the 13th National People's Congress of
the People's Republic of China*

March 5, 2022

Ministry of Finance

Esteemed Deputies,

The Ministry of Finance has been entrusted by the State Council to submit this report on the execution of the central and local budgets for 2021 and on the draft central and local budgets for 2022 to the present Fifth Session of the 13th National People's Congress (NPC) for your deliberation and for comments from members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

I. Execution of the 2021 Central and Local Budgets

The year 2021 was a milestone in the history of both the Party and the country. The Central Committee of the Communist Party of China (CPC) with Comrade Xi Jinping at its core united and led the whole Party and Chinese people of all ethnic groups in accomplishing the following endeavors: We celebrated the centenary of the Communist Party of China; the 19th Party Central Committee convened its sixth plenary session where a resolution on the Party's major achievements and historical experience over the past century was adopted; we prevailed in the critical battle against poverty on schedule; we achieved the first centenary goal of building a moderately prosperous society in all respects and began a new journey toward the second centenary goal of building a modern socialist country in all respects.

Last year, facing complex and daunting conditions and various risks and challenges both at home and abroad, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, all local authorities and government departments resolutely followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully applied the guiding principles of the 19th CPC National Congress and all the plenary sessions of the 19th CPC Central Committee, and firmly implemented the decisions and plans of the Party Central Committee and the State Council. We rigorously executed the budgets reviewed and approved at the Fourth Session of the 13th NPC, coordinated Covid-19 prevention and control with economic and social development, successfully ensured stability on six fronts, and maintained security

in six areas.* By effectively responding to various risks and challenges, we made new progress in forging a new pattern of development, scored new achievements in high-quality development, boosted China's strategic scientific and technological strength, increased the resilience of our industrial chains, advanced deeper with reform and opening up, made vigorous and effective efforts to meet people's basic living needs, continued to strengthen ecological conservation, and ensured overall social stability. The 14th Five-Year Plan got off to a good start, and execution of both central and local budgets was satisfactory.

1. Revenue and expenditure in the general public budget in 2021

1) National general public budget

Revenue in the national general public budget was 20.253888 trillion yuan, representing 102.5% of the budgeted figure, an increase of 10.7% compared with 2020, mainly driven by sustained, steady economic recovery and rising prices. Revenue included tax receipts of 17.273047 trillion yuan, an increase of 11.9%, and non-tax revenue of 2.980841 trillion yuan, an increase of 4.2%. With the addition of 1.171352 trillion yuan of funds transferred from budget stabilization funds, budgets of government-managed funds, and budgets of state capital operations as well as utilized carryover and surplus funds, total revenue reached 21.42524 trillion yuan.

Expenditure in the national general public budget was 24.63215 trillion yuan, representing 98.5% of the budgeted figure and an increase of 0.3%. With the addition of 354.09 billion yuan used to replenish the Central Budget Stabilization Fund and 9 billion yuan transferred to budgets of government-managed funds, total expenditure reached 24.99524 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 3.57 trillion yuan, which is consistent with the figure projected.

2) Central general public budget

Revenue in the central government's general public budget was 9.14618 trillion yuan, representing 102.2% of the budgeted figure and an increase of 10.5%. Adding

* The six fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations. The six areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments.

in 95 billion yuan from the Central Budget Stabilization Fund and 98.5 billion yuan from the budgets of central government-managed funds and central government state capital operations, total revenue came to 9.33968 trillion yuan.

Expenditure in the central government's general public budget totaled 11.72659 trillion yuan, representing 98.6% of the budgeted figure and a decrease of 0.9%. This figure includes: central government expenditures of 3.504996 trillion yuan, representing 100.1% of the budgeted figure and a 0.1% decrease; and transfer payments to local governments of 8.221594 trillion yuan, representing 98.6% of the budgeted figure and a 1.2% decrease. With the addition of 354.09 billion yuan contributed to the Central Budget Stabilization Fund and 9 billion yuan transferred to the budget of central government-managed funds, total expenditure reached 12.08968 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 2.75 trillion yuan, which is consistent with the figure projected.

Main revenue items in the central government's general public budget: Domestic value-added tax (VAT) revenue was 3.175266 trillion yuan, 100.5% of the budgeted figure. Domestic excise tax revenue amounted to 1.38807 trillion yuan, 104.3% of the budgeted figure. Corporate income tax revenue was 2.660534 trillion yuan, 103.8% of the budgeted figure. Individual income tax revenue was 839.595 billion yuan, 106.3% of the budgeted figure. Revenue from customs duties came to 280.587 billion yuan, 102% of the budgeted figure. Revenue from VAT and excise tax on imports totaled 1.731636 trillion yuan, 107.8% of the budgeted figure. VAT and excise tax rebates on exports totaled 1.815769 trillion yuan, 117.1% of the budgeted figure. Thanks to better-than-expected growth of foreign trade as well as rising prices for imported commodities, taxes on both imports and exports exceeded projections by a relatively large margin.

Main expenditures in the central government's general public budget: General public service expenditures reached 157.269 billion yuan, 107% of the budgeted figure, primarily due to rising investment in digitalization in the central government budget and increased spending on customs countermeasures for Covid-19. Diplomatic spending totaled 49.096 billion yuan, 97.4% of the budgeted figure. National defense spending was 1.355758 trillion yuan, 100% of the budgeted figure. Public security expenses totaled 189.002 billion yuan, 102.1% of the budgeted figure. Spending on education came to 169.035 billion yuan, 101.6% of the

budgeted figure. Spending on science and technology amounted to 320.554 billion yuan, 99.3% of the budgeted figure. Spending on stockpiling grain, edible oils, and other materials was 111.249 billion yuan, 90.8% of the budgeted figure. Interest payments on debt totaled 586.769 billion yuan, 97.8% of the budgeted figure.

Central government transfer payments made to local governments: General transfer payments totaled 7.48629 trillion yuan, 99.8% of the budgeted figure. Special transfer payments reached 735.304 billion yuan, 88% of the budgeted figure. This was mainly due to the fact that some transfer payments included under central government budgetary investment were recategorized as relevant central government expenditures according to the way they were actually used.

In 2021, a total of 201.18 billion yuan of extra revenue and 152.91 billion yuan of unspent funds in the central general public budget were transferred in full to the Central Budget Stabilization Fund. Central government reserve funds budgeted for 2021 amounted to 50 billion yuan. Of this, actual spending was 40 billion yuan, which was mainly used in post-flood reconstruction and one-off subsidies for grain producers. The 10 billion yuan surplus (already included in the aforementioned 152.91 billion yuan of unspent funds) was transferred in full to the Central Budget Stabilization Fund. At the end of 2021, the Central Budget Stabilization Fund had a balance of 385.401 billion yuan.

3) Local general public budget

Revenue in the local general public budget was 19.329302 trillion yuan. This figure includes 11.107708 trillion yuan in local government revenue, an increase of 10.9% compared with 2020, and 8.221594 trillion yuan in transfer payments from the central government. With the addition of 977.852 billion yuan of funds transferred from local budget stabilization funds, the budgets of local government-managed funds, and the budgets of local state capital operations as well as utilized carryover and surplus funds, total revenue reached 20.307154 trillion yuan. Expenditures in the local general public budget totaled 21.127154 trillion yuan, a 0.3% increase. Total expenditure exceeded total revenue, creating a local government deficit of 820 billion yuan, which is consistent with the figure projected.

2. Revenue and expenditure of government-managed funds in 2021

Revenue of China's government-managed funds in 2021 was 9.802371 trillion

yuan, representing 103.7% of the budgeted figure and an increase of 4.8%. Adding in 24.016 billion yuan carried over from 2020, 3.65 trillion yuan raised by local governments through special-purpose bonds, and 9 billion yuan from the general public budget, total revenue amounted to 13.485387 trillion yuan. Expenditure of all government-managed funds was 11.366101 trillion yuan, representing 86.6% of the budgeted figure and a decrease of 3.7%. The relatively large difference between the actual figure and the budgeted figure was mainly due to lower-than-expected proceeds from local government sales of state-owned land-use rights.

Revenue of central government-managed funds was 408.771 billion yuan, representing 107% of the budgeted figure and an increase of 14.8%. This was mainly due to a significant increase in the revenue of public welfare funds financed by lottery proceeds. Adding in the funds carried forward from 2020 and transferred from other sources, total revenue came to 441.992 billion yuan. Expenditure of central government-managed funds totaled 400.331 billion yuan, representing 98.6% of the budgeted figure. Broken down, this figure includes 320.102 billion yuan of central government spending and 80.229 billion yuan of transfer payments to local governments. Funds transferred from central government-managed funds to the central general public budget amounted to 100 million yuan. Revenue of central government-managed funds exceeded expenditure by 41.561 billion yuan. Of this figure, 38.082 billion yuan was carried forward to 2022, while 3.479 billion yuan was contributed to the Central Budget Stabilization Fund in accordance with regulations.

Revenue of local government-managed funds was 9.3936 trillion yuan, an increase of 4.5%. Adding in transfer payments of 80.229 billion yuan from central government-managed funds and 3.65 trillion yuan raised by local governments through special-purpose bonds, total revenue came to 13.123829 trillion yuan. Expenditure of local government-managed funds totaled 11.045999 trillion yuan, a decrease of 4.2%. This was mainly because no Covid-19 bonds were issued in 2021, so there was a drop in expenditure in this regard.

3. Revenue and expenditure of state capital operations in 2021

In accordance with relevant management regulations for the budgets of state capital operations, revenue from state capital operations is mostly collected as a certain proportion of the net profits of state-owned enterprises (SOEs) from the

previous year, while expenditure is planned according to the principle of balance between expenditure and revenue.

Revenue of state capital operations nationwide was 517.955 billion yuan in 2021, representing 133.6% of the budgeted figure and an increase of 8.5%. This was mainly due to higher-than-expected SOE profits in 2020. Expenditure totaled 262.478 billion yuan, representing 99.1% of the budgeted figure and an increase of 2.7%.

Revenue of central government state capital operations was 200.692 billion yuan, representing 114.6% of the budgeted figure and an increase of 12.4%. With the addition of 41.314 billion yuan carried over from 2020, total revenue was 242.006 billion yuan. Expenditure of central government state capital operations reached 107.78 billion yuan, representing 91.3% of the budgeted figure and an increase of 14.8%. This included 93.699 billion yuan of central government spending and 14.081 billion yuan in transfer payments to local governments. Funds allocated from the central government state capital operations budget to the central general public budget amounted to 98.4 billion yuan. A sum of 35.826 billion yuan of revenue from these operations has been carried over to 2022. This was mainly due to certain extra revenue in the execution of budgets which was carried over to 2022 in accordance with regulations.

Revenue of local government state capital operations reached 317.263 billion yuan, an increase of 6.1%. Adding in 14.081 billion yuan in transfer payments from the central government state capital operations budget to local governments and 3.237 billion yuan carried forward from 2020, total revenue was 334.581 billion yuan. Expenditure of local government state capital operations was 168.779 billion yuan, an increase of 0.3%. Funds allocated from the local government state capital operations budget to the local general public budget amounted to 135.205 billion yuan. An amount of 30.597 billion yuan of revenue from these operations has been carried over to 2022.

4. Revenue and expenditure of social insurance funds in 2021

Revenue of social insurance funds nationwide was 9.473474 trillion yuan, representing 106.2% of the budgeted figure and an increase of 24.9%. Revenue included 6.681664 trillion yuan in insurance premiums, a rise of 35.7%, which was mainly due to the expiration of the time-limited policy of reducing social insurance

premiums at the end of 2020, and 10.6% growth in government subsidies to 2.3248 trillion yuan. Expenditure of social insurance funds nationwide totaled 8.787629 trillion yuan, representing 101.7% of the budgeted figure and an increase of 12.1%. The social insurance fund surplus for 2021 was 685.845 billion yuan, which was rolled over to make the year-end balance 10.139509 trillion yuan.

Revenue of the central government social insurance fund was 144.644 billion yuan, representing 93.3% of the budgeted figure. Expenditure of the central government social insurance fund was 142.97 billion yuan, representing 90.5% of the budgeted figure. The central regulation system for enterprise employees' basic old-age insurance funds was put into effect, with 930.362 billion yuan allocated by local governments for central regulation, and 929.452 billion yuan appropriated by the central government. There is a 910 million yuan difference between the figure allocated by local governments and the figure appropriated by the central government, mainly because the Xinjiang Production and Construction Corps was subjected to local regulation though its revenue and expenditure were included in central budget, and interest of central regulation funds was allocated. Taking this factor into consideration, the year-end balance was 40.324 billion yuan after the central government social insurance fund surplus for 2021 of 2.584 billion yuan was rolled over.

Revenue and expenditure of local government social insurance funds were 9.32883 trillion yuan and 8.644659 trillion yuan, respectively. Taking regulatory factors into account, the year-end balance was 10.099185 trillion yuan after the surplus for 2021 of 683.261 billion yuan was rolled over. Provinces in central and western regions and where old industrial bases are located benefited from the allocation of these funds to the sum of 215.2 billion yuan.

At the end of 2021, outstanding central government debt was 23.269729 trillion yuan, within the budgeted limit of 24.050835 trillion yuan approved by the NPC. Outstanding local government debt totaled 30.470031 trillion yuan, which included 13.770864 trillion yuan of general debt and 16.699167 trillion yuan of special debt. This figure was also within the NPC-approved budget limit of 33.27743 trillion yuan.

5. Implementation of the main fiscal and tax policies and other major fiscal work in 2021

In 2021, finance departments conscientiously implemented the decisions and plans of the Party Central Committee and the State Council, adhered to the Budget Law and its implementation regulations and the Guidelines on People's Congresses Expanding the Focus of Budget Review and Oversight to Expenditure Budgets and Policies, and worked as required by the outcomes of the NPC's deliberations and their comments on the budgets. With a commitment to enhancing the quality, efficiency, and sustainability of our proactive fiscal policy, we refined tax and fee reduction policies and put them into practice, enhanced support for efforts to ensure employment, living standards, and the operations of market entities, and implemented the regular mechanism for the direct allocation of government funds to prefecture- and county-level governments while expanding the scope of its application. We strengthened funding safeguards for public wellbeing and key areas, defused local government debt risks through prudent measures, deepened reform of the fiscal and tax systems, tightened management over government finance, and ensured full implementation of relevant policies. These efforts provided robust support for fulfilling the year's main targets and tasks in economic and social development.

▪ **We made our fiscal and tax policies more targeted and effective, helping keep major economic indicators within an appropriate range.**

We stepped up the unified management of funds, and kept government spending at the necessary scale. A ceiling of 3.65 trillion yuan was set on new local government special-purpose bonds. We maintained an appropriate tempo in the issuance and utilization of bonds according to changes in the economic situation, starting out slow then picking up the pace over the course of the year, and actively expanded effective investment. We continued to cut taxes and fees, adjusted temporary epidemic response policies introduced in 2020 on a category-by-category basis, and adopted some new measures such as raising the VAT threshold for small-scale taxpayers, cutting corporate income tax for micro and small businesses, and expanding the scope of the VAT credit refund policy's application in advanced manufacturing. Furthermore, we cancelled, waived, or reduced a portion of administrative charges and payments to government-managed funds. Additional tax and fee cuts exceeded 1 trillion yuan for the year. In addition, tax payments were temporarily postponed for micro,

small, and medium-sized enterprises (MSMEs) in manufacturing as well as coal-fired power generation and heating-supply enterprises. This played an important role in stabilizing economic development, supporting sci-tech innovation, facilitating industrial upgrading, and promoting growth of employment. Tax and fee cuts proved an effective means of not only helping ease difficulties faced by enterprises, but also of cultivating sources of tax revenue. Last year, tax paid by market entities registered in 2013 or later reached 4.76 trillion yuan. We established the regular mechanism for the direct allocation of government funds, with 2.8 trillion yuan of funds handled through this mechanism, and basically saw to it that the central government's subsidies for public wellbeing covered all areas concerned. We also optimized procedures, improved the monitoring system, and raised efficiency in terms of the distribution, pay-out, use, and oversight of funds, thereby providing fiscal support for prefecture- and county-level governments in implementing policies to benefit both businesses and the people. In an effort to fulfill the requirement for belt-tightening, the central government continued to cut its spending, thus saving funds to upgrade local fiscal capacity for ensuring public wellbeing and provide solid guarantees for the three priorities (people's basic wellbeing, payment of salaries, and normal government functioning) at the primary level.

▪ **We bolstered innovation-driven development, and worked to stabilize and optimize industrial and supply chains.**

Stepping up efforts to build up our country's strength in science and technology

In 2021, the central government increased spending on basic research in its general public budget by 15.3% to provide stronger support in this regard. In an effort to boost China's strategic scientific and technological strength, we developed a mechanism for providing steady financial support for national laboratories, and the first batch of nine national laboratories came into operation. We supported the use of mechanisms such as open competition to select the best candidates to lead key research projects, implemented a number of major scientific and technological projects, and secured solid progress in research on core technologies in key fields. We reformed and improved management of central government spending on research, cutting down on the number of budgetary items significantly and increasing the proportion of indirect expenses, thus helping researchers devote

their full focus to their work.

Unleashing the creativity of enterprises

We raised extra tax deductions from 75% on manufacturing enterprises' R&D costs to 100%, and permitted enterprises to settle taxes in advance to allow them to benefit from this policy as soon as possible. In the first three quarters of 2021, extra tax deductions under this policy totaled 1.3 trillion yuan and tax cuts surpassed 330 billion yuan. We launched import tax policies for supporting scientific and technological innovation during the 14th Five-Year Plan period. We implemented the policy of providing rewards and subsidies for small and medium-sized enterprises (SMEs) that apply special, sophisticated techniques to produce unique and novel products, supporting the development of more than 1,300 such enterprises into "little giants." We provided support to 60 cities piloting comprehensive reforms of financial services for private companies and micro and small businesses, and continued the policy of providing rewards and subsidies to reduce financing guaranty fee rates for micro and small businesses. The volume of re-guarantee business conducted through the National Financing Guarantee Fund increased by 754.2 billion yuan in 2021, up 79%, while the number of market entities receiving these services increased by 725,000, up 165%.

Promoting the upgrading of industrial and supply chains

By coordinating financial support and tax break policies, we supported efforts to shore up industrial chains in key industries including integrated circuits, industrial machine tools, next-gen 5G information technology, biomedical and high-end medical equipment, and agricultural machinery. We promoted the replacement of foreign products with Chinese ones and technological upgrading in industries with weaknesses in this regard. We continued to implement subsidies to popularize new-energy vehicles, and the output and sales of these vehicles both rose by a large margin in 2021.

▪ **We increased spending on improving living standards, and provided strong and effective guarantees for meeting basic living needs.**

Ensuring effective routine epidemic control

We allocated support funds to help suppress local outbreaks of Covid-19, strengthened funding guarantees for scientific research related to epidemic prevention and control, and promoted medicine and vaccine R&D. We provided

vaccinations for all free of charge, with more than 85% of the population fully vaccinated.

Comprehensively implementing the employment-first policy

We continued to implement the temporary policy of reducing premiums for unemployment insurance and workers' compensation, and bolstered the policies of expanding the coverage of unemployment insurance and refunding unemployment insurance premiums to help enterprises maintain stable employment. We further subsidized interest payments on guaranteed loans for business startups, and supported large-scale vocational skills training. We stabilized and expanded employment through a combination of measures, with 12.69 million new jobs created in the country's urban areas.

Promoting the development of high-quality education

We consolidated and refined the unified, rurally-focused funding mechanism for compulsory education in urban and rural areas. We increased subsidies for providing nutritious meals to rural students in compulsory education, benefiting more than 37 million students. We improved conditions at vocational schools, and supported vocational colleges in surpassing their target for the three-year initiative to expand enrollment. We promoted the intensive development of higher education, and channeled spending on institutions of higher learning directly under the central government toward basic research and the cultivation of high-level talent. The national education assistance loan ceiling was increased by 4,000 yuan per student per annum, benefiting more than 5 million students. Central government spending on student financial aid and subsidies increased by 14.7%, benefiting more than 34 million students.

Making greater efforts to meet people's basic living needs

Basic pension benefits for retirees were increased by approximately 4.5%. The centrally-regulated share of basic old-age insurance funds for enterprise employees was raised to 4.5%. Government subsidies for basic medical insurance for rural and non-working urban residents were increased to 580 yuan per person per year, and those for basic public health services were increased to 79 yuan per person per year. Outpatient bills for more common illnesses became reimbursable under the basic medical insurance scheme, and 60% of out-of-province inpatient medical bills were directly settled where those bills were incurred. Subsistence allowances were

expanded to cover people with serious illnesses or severe disabilities from low-income households, and assistance was provided to people facing financial difficulty. Subsidies and living allowances for entitled groups were increased by approximately 10%, and funds were allocated to offer a one-off living subsidy to veteran Party members. We also provided assistance for the renovation of 56,000 old urban residential communities.

Improving the public cultural service system

We supported projects to develop a digital public culture, to ensure access to radio and television in all households, and to put on non-profit traditional Chinese opera performances, and helped more than 50,000 museums and libraries offer free admission. We supported public fitness programs and major sports events. We strengthened funding safeguards to support Team China's preparations for the Tokyo Olympic and Paralympic Games, and vigorously backed Beijing's hosting of the 2022 Winter Olympic and Paralympic Games.

Strengthening natural disaster prevention, mitigation, and relief work

We improved the emergency response system, and saw to it that funds for natural disaster relief and aid were immediately allocated. We supported Henan, Shanxi, and Shaanxi in efforts to assist disaster victims, restore agricultural production, and carry out post-disaster recovery and reconstruction. We backed the development of key projects for enhancing local capacity for natural disaster prevention and mitigation, carried out a comprehensive survey of natural disaster risks across the country, and supported efforts to translate technologies and equipment for natural disaster prevention into engineering applications.

▪ **We provided support for rural and agricultural initiatives, and advanced implementation of the coordinated regional development strategies.**

Aligning efforts to consolidate and build upon our achievements in the battle against poverty with those to promote rural revitalization

We kept major assistance policies unchanged and continued to increase the central government follow-up rural revitalization assistance fund, channeling greater support to 160 key counties designated to receive such assistance. Trials for integrated and coordinated use of government funds for rural development were continued in 832 counties that have been lifted out of poverty. Regular assistance to low-income rural residents was enhanced to forestall a large-scale relapse into

poverty.

Ensuring national food security

We rolled out a new round of subsidies for the purchase of agricultural machinery, and provided 20 billion yuan in one-time subsidies for grain producers in response to the rising prices of agricultural supplies. We significantly increased reward funds for major seed production counties, supported a nationwide survey of germplasm resources for crops, and improved the full-chain development of the seed industry. Full-cost insurance and income insurance for the three main grain crops of rice, wheat, and corn were carried out in 60% of the main grain-producing counties in 13 major grain-producing provinces. Our policy-based agricultural insurance protected rural households from risk through 188 million insurance policies. We supported the construction of 50 national modern agriculture industrial parks, 50 clusters of leading agro-industries with unique advantages, and 298 towns with particular agro-industrial strengths.

Supporting the implementation of major regional development strategies

We introduced fiscal and tax policies to comprehensively support the development of the Yangtze Economic Belt. We supported Zhejiang in becoming a leader in the exploration of new ways to promote common prosperity through public finance at the provincial level. Fiscal policies were formulated to support Xinjiang, Tibet, and prefectures and counties with large Tibetan populations in Qinghai, Sichuan, Gansu, and Yunnan provinces during the 14th Five-Year Plan period. By introducing the policy of exempting enterprises from tariffs on production equipment purchased for self-use, we advanced the development of the Hainan Free Trade Port.

▪ **We strengthened ecological and environmental protection, and made new progress in effecting a green transformation across the board.**

We further reformed the system of compensation for ecological conservation in an effort to establish sound institutions and mechanisms featuring firm government guidance, orderly public participation, and effective regulation by the market. We scaled up funding for the prevention and control of air, water, and soil pollution, and granted subsidies to another 20 cities in northern China to encourage their use of clean energy sources for winter heating. This has resulted in an average drop of 9.1% in the concentration of fine particulate matter in China's

cities at the prefectural level or above. Policies were introduced to support a trans-regional compensation mechanism for ecological conservation in the Yangtze River basin. We backed 20 cities in systematic efforts to develop their respective jurisdictions into “sponge cities.” Based on competitive appraisal, we provided support to 10 projects for the integrated conservation and restoration of mountain, water, forest, farmland, lake, grassland, and desert ecosystems and 15 projects for the protection and improvement of marine ecosystems, as well as 20 afforestation trial and demonstration projects. We launched a new round of policies to subsidize and reward grassland conservation and expanded the coverage of these policies. We supported the formal establishment and development of China’s first five national parks for the protection of the headwaters of the Yangtze, Yellow, and Lancang rivers, the habitats of giant pandas, Siberian tigers, and Far Eastern leopards, the Hainan tropical rainforests, and the Wuyi Mountains.

▪ **We forestalled and defused risks related to hidden government debt, and stepped up management of local government debt.**

We strengthened inter-departmental coordination on oversight, resolutely investigated and dealt with new hidden local government debt, and pushed relevant local governments and departments to take serious action and ensure accountability in this regard. We launched zero hidden debt trials in some localities where conditions permitted to encourage steady efforts toward eliminating all hidden debt, and began looking into establishing an institutional framework for long-term oversight on local government debt. As a result, risks from hidden debt were further mitigated and remained controllable overall.

We strengthened whole-process management of local government special-purpose bonds from borrowing and use to regulation and redemption. In addition, we formulated working plans for incisive monitoring of special-purpose bond projects, a list of projects that may not be funded through the issuance of such bonds, and guidelines on adjusting how these bonds are to be used. These efforts have ensured that the use of bonds is safe, well-regulated, and efficient. We made prudent advances in the use of special-purpose bonds to replenish the capital of small and medium-sized banks appropriately, helping these banks become more risk resilient.

▪ **We furthered fiscal and tax reform, and strengthened fiscal management**

and oversight.

To ensure taxation is administered in accordance with the law, we promoted legislation on VAT and other taxes, and promulgated a stamp duty law. We produced guidelines on deepening reform of the budget management system and advanced reforms to exercise coordinated management of government resources. We improved the performance management system and carried out post-policy assessment of transfer payments and major expenditures. We worked on improving the fiscal system at and below the provincial level. The requirement to produce government financial statements was applied across the board. Regulations on the management of state-owned assets in administrative departments and public institutions were introduced. We produced a comprehensive report on the management of state-owned assets for 2020 and submitted it to the NPC Standing Committee. Reform of the state-owned financial capital management system was continued. Notable progress was made in the development of integrated budget management. We made targeted efforts to address four types of violations of laws and regulations including accounting firms operating without a license. We resolutely investigated and dealt with instances in which certain localities used government funds to construct government buildings in violation of regulations, and publicized a number of representative cases. We took solid steps to correct problems discovered in audits, and made timely reports to the NPC Standing Committee on these corrections.

Overall, budget execution in 2021 was satisfactory. We made new progress in the reform and development of public finance, and provided important support for continued, healthy economic and social development. We owe these achievements to the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core; to the sound guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; to the oversight and guidance of the NPC, the CPPCC National Committee, and their deputies and members; and to the concerted efforts of all local authorities, all government departments, and the people of all our nation's ethnic groups.

At the same time, we have yet to overcome the following difficulties and problems in budget execution and public finance work:

- A portion of local governments, especially at the prefecture and county level,

face pronounced gaps between revenue and expenditure, as well as increased pressure from expenditures for ensuring people's basic wellbeing, payment of salaries, and normal government functioning.

- The tax and fee reduction policies for easing difficulties faced by enterprises are not implemented effectively in some areas, while arbitrary fines, charges, and quotas have yet to be eliminated completely.
- Some localities have insufficient reserves of projects financed by special-purpose bonds, with funds sitting idle or appropriated to areas that do not meet relevant standards.
- There are still cases of new hidden local government debt being added, some local governments are carrying heavy debt burdens, and some are facing quite significant pressure for repaying debt.
- A portion of budget compilation work needs to become more targeted and detailed, and budget execution needs to be more stringent.
- Irrational performance targets are set for certain projects, self-assessments of performance are not sufficiently objective, and the utilization of funds needs to be made more efficient.
- Issues such as the construction of new government buildings in violation of relevant regulations in certain localities and financial fraud committed by certain enterprises arise on an intermittent basis, and both fiscal discipline and financial and accounting oversight need to be tightened.
- Some localities and departments have failed to implement belt-tightening measures effectively.

We must take these problems very seriously, and actively adopt measures to address them.

II. Draft Central and Local Budgets for 2022

The year 2022 carries great significance for the cause of the Party and state as it is the year in which our Party will hold its 20th National Congress. This makes the compilation of this year's budgets and public finance work all the more important. We will act in accordance with the decisions and plans of the Party Central

Committee and the State Council, continue to pursue progress while putting stability first, coordinate epidemic prevention and control with economic and social development, and balance development with security. We will implement a proactive fiscal policy, step up analysis and assessment of the performance of public finance and the economy, strengthen cross-cyclical and counter-cyclical regulation, and provide robust support for ensuring the stability of China's economy.

1. Analysis on the prospects for fiscal revenue and expenditure in 2022

At present, the global pandemic is still ongoing, world economic recovery lacks drive, and commodity prices remain high and are prone to fluctuation, making the external environment more complicated and uncertain. Our country's economic development faces heavy pressure from shrinking demand, supply shocks, and weakened expectations, while keeping the economy running steadily poses a tremendous challenge and gaps between fiscal revenue and expenditure continue to loom large.

From a fiscal revenue perspective, tax and fee reduction policies are continuing to have their intended effects, market entities are building more energy and momentum, and our economy is continuing to see steady recovery. This has all laid a solid foundation for increased government revenue. At the same time, however, revenue growth is constrained by new downward pressure on the economy, and new tax and fee reduction policies are needed to mitigate challenges faced by enterprises in operations and production. Changes in the epidemic situation will also add to uncertainty with regard to fiscal revenue. **From a fiscal expenditure perspective,** the demand for government funding is quite high in various sectors. Stronger guarantees are needed for spending in areas including basic public wellbeing, technological advancement, effective alignment of poverty alleviation achievements with rural revitalization, ecological and environmental protection, and national defense, and new spending is needed to ensure effective implementation of initiatives for reaching a carbon peak and carbon neutrality and to promote coordinated regional development. **On the whole,** the outlook for government revenue and expenditure in 2022 remains quite grave. We must therefore strengthen coordinated planning over fiscal resources, maintain spending in some areas while cutting it in others, focus on key priorities, and make every

effort while working within our means. We must see that budgets are well formulated through a rational approach, and ensure that the decisions and plans of the Party Central Committee and the State Council are implemented. While acknowledging the difficulties that lie before us, we should also remain confident in ourselves. China boasts a highly resilient economy, the economic fundamentals that will sustain long-term growth remain unchanged, and we have room to maneuver and measures at our disposal on the level of macro policy. China is thus equipped with the foundation and conditions necessary to drive healthy and sustained economic and social development.

2. Overall requirements for the preparation of the 2022 budget and public finance work

In order to ensure that preparation of the 2022 budget and public finance work are effective, we must do the following:

- Uphold the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core
- Take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as our guide
- Fully implement the guiding principles of the 19th National Congress of the CPC and the plenary sessions of the 19th CPC Central Committee
- Promote the great founding spirit of the Party
- Adhere to the general principle of pursuing progress while ensuring stability
- Fully and faithfully implement the new development philosophy, work faster to foster a new pattern of development, advance reform and opening up across the board, continue to pursue innovation-driven development, and promote high-quality development
- Build a strong appreciation for hard work and frugality
- Make our proactive fiscal policy more effective with a greater focus on precision and sustainability in order to help maintain macroeconomic stability
- Implement new combined supporting policies through tax and fee cuts
- Strengthen fiscal guarantees for major national strategic tasks, ensure fiscal spending intensity, optimize the structure and priorities of spending, and step up efforts to channel fiscal resources to lower-level governments
- Enforce the requirement for Party and government organs to tighten their belts,

tighten up fiscal discipline, and address local government debt risks through a well-ordered approach

- Deepen fiscal and tax reform
- Boost effectiveness in the utilization of funds
- Continue to ensure stability on six fronts, maintain security in six areas, and improve public wellbeing
- Strive to ensure overall macroeconomic stability, keep major economic indicators within an appropriate range, and maintain overall social stability in preparation for a triumphant 20th National Congress of the CPC

In 2022, we must make our proactive fiscal policy more effective with a greater focus on precision and sustainability. **With regard to enhancing policy effectiveness**, we must exercise coordinated planning over fiscal resources, strengthen management over budget formulation, review, expenditures, and performance, promote alignment between performance outcomes and budget arrangements, and better coordinate fiscal policy with monetary, employment, and industrial policy according to the requirement of ensuring that macro policies are stable and effective. **With regard to meeting the requirement for precision**, we must implement new tax and fee cuts, and strive to improve the system for refunding VAT credits, with the focus on promoting high-quality development of the manufacturing sector, on helping to ease burdens and difficulties faced by MSMEs, and on facilitating scientific and technological innovation. Furthermore, we must improve the structure of government spending. Acting on the requirement to tighten our belts, we must also strengthen guarantees for basic public wellbeing and for key areas, and step up financial support for local governments, particularly those at the primary level. **With regard to boosting sustainability**, we must allocate government spending by taking into account both what is needed and what is possible, remain committed to ensuring and improving public wellbeing in the process of development, and refrain from setting our sights too high or getting ahead of ourselves. We must also take appropriate steps to reduce the deficit-to-GDP ratio, set government debt at reasonable levels, and adopt effective measures to forestall and defuse risks. In doing so, we must focus on the following six areas:

First, we must make greater efforts to ease burdens and difficulties faced by

market entities in order to energize them. We will continue to combine temporary measures and institutional arrangements, and implement both tax cut and tax rebate policies. We will continue to implement a portion of time-limited tax and fee cuts which expired in 2021, and consolidate and build upon the results of these cuts. By developing and launching new policy measures, we will implement targeted cuts for MSMEs and self-employed individuals. We will significantly increase VAT credit refunds, and take targeted steps to support the manufacturing sector and micro and small businesses in increasing their cash flow. We will track the implementation of policies, and take prompt action to understand and address problems pointed out by enterprises. It is estimated that through these measures, tax rebates and cuts will total approximately 2.5 trillion yuan for the year, with VAT credit refunds going straight to enterprises accounting for 1.5 trillion yuan of this sum. The central government will provide greater fiscal support for local governments by directly allocating subsidies to the prefecture and county levels.

Second, we must maintain an appropriate level of spending intensity and optimize the structure of government spending. We have set the deficit-to-GDP ratio for the year at around 2.8%, slightly lower than last year. It is projected that fiscal revenue will continue to grow in 2022. In addition, taking into account that surplus profits of state-owned financial institutions and state monopoly business operations from recent years will be turned over in accordance with the law and funds will be transferred from the Central Budget Stabilization Fund, expenditure in the national general public budget is projected to be 26.71 trillion yuan, 2 trillion yuan more than last year, up 8.4%. We will thus have significantly more fiscal resources at our disposal. In optimizing the structure of government spending, we will provide priority support for key projects that have been included in the 14th Five-Year Plan and specific plans in key areas, practice an appropriate degree of advance investment for infrastructure projects, and increase support for major regional development strategies and in areas including scientific and technological advancement, ecological and environmental protection, basic public wellbeing, and modern agriculture.

Third, we must arrange an appropriate amount of local government special-purpose bonds in order to support the development of key projects. In accordance with the requirement to keep the overall government leverage ratio

basically stable, we will arrange for the release of an additional 3.65 trillion yuan in local government special-purpose bonds in 2022, maintaining the same level as last year. After filing with the NPC Standing Committee, 1.46 trillion yuan in new special-purpose bonds have already been approved in advance. We will stick to the principle that funding should follow specific projects, ensure that reserves of projects funded by special-purpose bonds are thoroughly and meticulously put together, make full and effective use of the policy whereby special-purpose bonds serve as capital for major projects, and optimize the list of areas to which the funds from these bonds are directed. We will tighten oversight on the use of funds, refrain from spending in ways that lack precision, and put primary focus on supporting projects that are ongoing or that can be launched soon. These measures will help expand effective investment.

Fourth, we must encourage the channeling of fiscal resources to lower-level governments in order to support work related to ensuring the three priorities at the primary level. We will increase transfer payments from the central government to local governments, especially general transfer payments, by a relatively large margin, weighting these payments specifically toward underdeveloped areas and areas in need. Transfer payments to local governments in the central general public budget will reach almost 9.8 trillion yuan, an increase of about 1.5 trillion yuan or 18%, which is significantly higher than previous years. Local fiscal spending will grow by 8.9%. Provincial-level governments must also see that fiscal resources are channeled toward lower-level governments to the greatest possible extent, and provide support for primary-level authorities in implementing policies to help enterprises facing difficulty and in ensuring the three priorities (people's basic wellbeing, payment of salaries, and normal government functioning). We will refine the regular mechanism for the direct allocation of government funds and further expand the scope of its implementation in order to ensure that the allocation and utilization of funds is rapid and precise.

Fifth, we must stick to the principle that Party and government bodies need to tighten their belts to see that these bodies and society as a whole do better at economizing. Central government departments will take the lead in belt-tightening, backing obligatory and urgent expenditures while strictly controlling general expenditures. We will also strengthen management over

budgets for spending on official overseas visits, official vehicles, and official hospitality. Through these efforts, we will work hard to reduce administrative operating costs, and cut spending of central government departments by 2.1% in 2022. Local governments at all levels must also enforce strict and tight control over spending, freeing up more fiscal resources to make improvements to basic public wellbeing and to support the development of market entities in line with the principle of practicing frugality in the interest of the people. We will refine mechanisms for constraining government spending, put idle government funds and assets to good use, encourage the sharing of assets between administrative departments and public institutions, continue to improve the institutional framework for the belt-tightening campaign, and carry out assessments on implementation. We will also guide all of society in celebrating the traditional virtues of hard work and frugality, as well as practicing thrift in all endeavors.

Sixth, we must tighten fiscal discipline to curb acts including utilization of government funds in breach of regulations, tax evasion, and financial fraud. We will strictly enforce laws, regulations, and administrative stipulations on government finance, strengthening the cage of institutions and firmly upholding their stringency. We will ensure that government funds are managed and utilized effectively, and make government revenue and expenditure actions more well-regulated. The construction of government buildings in violation of regulations and the launch of vanity projects or projects aimed at boosting official track records will not be tolerated. We will improve the system for the administration of tax collection, and crack down hard on tax evasion and tax fraud in accordance with the law. We will take further steps to standardize audits in order to curb financial fraud. We will organize and launch a campaign dedicated to putting local government finance in good order, rigorously investigate and harshly punish violations of regulations, and see that no one dares stray beyond the bounds of fiscal discipline.

3. Main revenue and expenditure policies for 2022

Following the decisions and plans of the Party Central Committee and the State Council, we need to ensure that our macro policies are prudent and potent, that micro policies keep market entities energized, that structural policies give priority to maintaining unimpeded flows in the economy, that sci-tech policies are

fully implemented, that reform and opening up policies inject greater vitality into development, that regional policies boost balanced and coordinated development, and that social policies meet the basic living needs of all our people. For these purposes, we will refine fiscal and tax policies and measures to make them more detailed and preemptive.

1) Increasing support for market entities to keep businesses and employment stable

We will implement new combined supporting policies through tax and fee cuts. To increase the cash flow of enterprises, promote consumption-driven investment, and significantly improve the system for refunding VAT credits, we will issue VAT credit refunds on a large scale this year. Priority will be given to micro and small enterprises. Outstanding VAT credits will be refunded in one lump sum to these enterprises by the end of June, and newly added credits will also be fully refunded. With our focus on supporting manufacturing, we will work to fully resolve problems in refunding VAT credits in manufacturing, research and technological services, environmental protection, electricity and gas, transportation, software, and IT services. We will intensify the policy of extra tax deductions on R&D costs, raising the rate of such deductions from 75% to 100% for sci-tech SMEs. We will refine policies such as accelerated depreciation of instruments and equipment as well as corporate income tax credits for high-tech enterprises. By introducing these policies, we aim to build synergy with enterprises, so that we can encourage them to increase investment in innovation and help accelerate equipment upgrades and technological transformation. We will temporarily waive VAT for small-scale taxpayers. For the 1-3 million share of taxable annual income of micro and small enterprises, we will halve corporate income tax on the basis of current preferential policies, reducing the actual tax rate from 10% to 5%. We will extend tax and fee reduction policies for manufacturing, micro and small enterprises, and self-employed individuals, while granting greater reductions and expanding the coverage of such policies. We will extend a portion of preferential tax policies for individual income, sci-tech business incubators, as well as employment and entrepreneurship among demobilized military personnel. We will develop targeted measures to provide tax and fee cuts for the service sector and other industries that offer an enormous amount of job opportunities but are facing

difficulty due to the impact of the pandemic. We will also support local governments in introducing tax and fee reduction and exemption policies according to law within an authorized scope, ensuring that there is no drop in the intensity of tax and fee cuts.

We will step up financing support for MSMEs. Through a combination of means, including financing guaranty, loan interest subsidies, and other subsidies and awards, we will steer more financial resources toward MSMEs. In an effort to ensure greater volume, broader access, and lower costs of financing for MSMEs, we will offer awards and subsidies to inclusive finance demonstration zones, look into establishing a risk compensation mechanism for the National Financing Guarantee Fund, and continue to provide awards and subsidies for reducing financing guaranty fee rates. We will guide local governments in allocating funds to help SMEs cope with difficulties and mounting pressure from rising prices of raw materials as well as higher logistics and labor costs. We will see that government departments and public institutions pay procurement bills without delay. We will expand the coverage of export credit insurance for micro, small, and medium foreign trade firms, strengthen export credit support and foreign exchange services, and speed up export rebates, so as to help foreign trade enterprises keep orders and production stable. By exerting the guiding role of central government funding, we will encourage local and nongovernmental capital to support the development of overseas warehouses and new forms and models of foreign trade.

We will upgrade the employment-first policy. With a firmer commitment to prioritizing employment, the central government will allocate 61.758 billion yuan in employment subsidies, an increase of 5.168 billion yuan, with a view to helping local governments implement policies for supporting employment and entrepreneurship. We will extend the policy of refunding unemployment insurance premiums to help enterprises maintain stable employment, and raise the refund rate significantly for MSMEs. We will continue the policy of reducing premiums for unemployment insurance and workers' compensation, and refine policies for providing business startups with interest payment subsidies on guarantee loans as well as other subsidies and grants. We will help members of key groups, such as college graduates, demobilized military personnel, and rural

migrant workers find jobs or start businesses, and increase assistance for flexible employment and new forms of employment. We will expand the reach and improve the efficiency of vocational skills training to enhance employability of workers, and use 100 billion yuan from unemployment insurance funds to bolster support for training and for efforts to keep employment stable.

2) Promoting scientific and technological innovation to pursue higher-quality industrial development

We will support original and pioneering sci-tech research. We will increase spending on basic research, improve the funding system of the National Natural Science Fund, and launch a 10-year action plan for basic research to bolster sustained support in this domain over the long term. We will ensure that needed funds are available for research on core technologies in key fields, and support endeavors to achieve technological breakthroughs in key areas such as epidemic prevention and control, disease prevention and treatment, the seed industry, and green and low-carbon development. We will support the implementation of major national science and technology programs, and explore new methods of managing these programs and selecting new ones. We will also support international cooperation on science and technology.

We will further bolster China's strategic sci-tech strength. With this goal in mind, we will support the development of national laboratories, the reorganization of key national laboratories, and the fostering of international science and technology innovation centers and comprehensive national science centers. While maintaining assistance for the development of research institutes at the central level, we will increase funding for scientific and technological advancement at the local level under the guidance of central authorities, and support the development of regional innovation hubs. We will increase funding for major programs for nurturing and attracting high-level talent and cultivating young sci-tech talent. We will also facilitate the popularization of science.

We will deepen reform of the system for managing sci-tech expenditures. We will improve the structure of sci-tech expenditures by giving priority to core fields of strategic significance. We will expand application of the contract system for research project funding, and push relevant departments, localities, and institutions to promptly formulate or revise rules for the management of sci-tech

funds. By doing so, we will ensure that the decision-making powers over such funds are delegated to the right parties, properly exercised, and well regulated. We will strengthen ongoing and ex post oversight as well as performance management. In addition, we will facilitate the application of scientific and technological advances by improving the utilization of funds to steer sci-tech innovation and encouraging non-governmental actors to increase their investment in the application of these advances.

We will increase the resilience and competitiveness of China's industrial and supply chains. With this goal in mind, we will boost the principal role of enterprises in innovation, encourage them to take on a leading role in national sci-tech programs, and ensure full implementation of policies including extra tax deductions on R&D expenses. To cultivate both high-performing businesses and competitive industries, we will extend support to more national-level “little giant” enterprises that apply special, sophisticated techniques to produce unique and novel products. With a focus on key industrial chains, we will further increase special funds for rebuilding industrial foundations and boosting high-quality development of the manufacturing sector, with special attention paid to resolving bottlenecks related to basic spare parts and components, key materials, and core software as well as weaknesses in equipment manufacturing. By effectively leveraging the guiding role of government funds and making full use of market-based measures, we will support innovative development of key industries such as integrated circuits, and help upgrade chip production.

3) Tapping the full potential of domestic demand, advancing coordinated regional development, and making more headway in new urbanization

We will leverage the guiding role of government investment. In line with the major strategic plans of the state, we will support the construction of projects in the fields of transport, energy, and water conservancy. We will use the funds raised through local government special-purpose bonds in an appropriately concentrated manner, weighting them toward regions where projects are well prepared and accelerating the issuance and application of such bonds. We will punish regions that use special-purpose bonds in violation of regulations by cutting down their quotas for additional bonds, suspending issuance and application, and taking back idle funds. A total of 640 billion yuan will be earmarked for investment in the central

government budget, an increase of 30 billion yuan over last year. We will work to make this investment better structured and better aligned with special-purpose bonds. In addition, we will encourage and guide nongovernmental investment toward the construction and operation of infrastructure and public service projects.

We will strive for a steady recovery in consumption. To encourage and enable consumer spending, we will further improve supporting policies on education, elderly care, healthcare, childcare, and housing, and give taxation, social security, and transfer payments a heightened role in regulating income. To boost purchases of new-energy vehicles, we will deliver on policies including purchase subsidies and purchase tax exemption, and provide assistance for the construction of charging stations and other related facilities. To stimulate consumption in rural areas, we will support the development of county-level commerce, accelerate the upgrading of commodity distribution networks in counties, townships, and villages, and make express delivery services in these areas more smooth and accessible. To better satisfy people's needs for public services, we will press ahead with reform of government service procurement in key areas.

We will make regional development more coordinated. In working toward this goal, we will better leverage the role of transfer payments, ensure equitable access to basic public services, and promote coordinated development across eastern, central, western, and northeastern China. We will deliver on fiscal and tax policies for supporting the coordinated development of the Beijing-Tianjin-Hebei region, development of the Yangtze Economic Belt, integrated development in the Yangtze River Delta, as well as development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Xiongan New Area, and the Hainan Free Trade Port. We will support pilot free trade zones in promoting institutional opening up in alignment with high-standard international economic and trade rules. We will work on introducing a fiscal and tax plan to support ecological conservation and high-quality development in the Yellow River basin. We will assist old revolutionary base areas, areas with large ethnic minority populations, border areas, and resource-depleted cities in pursuing faster development. We will support the development of the Chengdu-Chongqing economic zone, and continue to back Zhejiang's transformation into a demonstration zone for realizing common prosperity through high-quality development.

We will work to raise the quality of new urbanization. The central government will put in place a 40 billion yuan award fund for supporting the process of granting urban residency to people who move to urban areas from rural areas, and tilt such funding toward localities with significant inflows of these people. This will provide them with more equitable access to basic public services and help them get better integrated in the localities where they are living. We will identify more cities as pacesetters in systematic efforts to develop their respective jurisdictions into “sponge cities.” In an effort to build a comprehensive and multidimensional transportation system, we will support the launch of pilot and demonstration projects for developing comprehensive freight hubs. We will also support the renovation of more old residential communities in urban areas, and see that urban renewal proceeds in an orderly manner.

4) Promoting high-quality development of agriculture and advancing rural revitalization on all fronts

We will consolidate and enhance our ability to guarantee food security. The total area of China’s farmland must stay above the red line of 120 million hectares. Giving higher priority to raising overall agricultural production capacity, we will back the development of an additional 6.67 million hectares of high-standard farmland, enhance support for the protection of China’s chernozem soils, and shore up weak links in farmland irrigation and water conservancy. Moreover, we will advance the revitalization of the seed industry, push for breakthroughs on core agricultural technologies, and work to increase the production of soybeans and other oil-yielding crops. We will improve subsidy policies for protecting farmland fertility, put in place subsidies for the purchase and application of agricultural machinery, increase government rewards and subsidies for major grain-producing areas, and again grant agricultural supply subsidies to grain producers. By doing so, we aim to guarantee farmers’ income from grain production and motivate major grain-producing areas to keep a firm focus on grain production. We will increase minimum purchase prices for rice and wheat appropriately, keep policies for subsidizing corn, soybean, and rice producers stable, and improve capacity for regulating the grain market through purchasing and stockpiling. We will actively develop agricultural insurance, and allocate 41.639 billion yuan in subsidies for agricultural insurance premiums, an increase of 30.8%. We will ensure that

full-cost insurance and income insurance for the three main grain crops of rice, wheat, and corn cover all major grain-producing counties of major grain-producing provinces, and also look into offering the same insurance for sugar cane. We will leverage the role of agricultural credit guaranty, and better address difficulties faced by new types of agribusinesses in accessing affordable financing. We will continue to pursue integration between agricultural machinery, agricultural technology, farmland, and agronomy, and promote the development of commercial services for agriculture.

We will consolidate and build upon progress in poverty alleviation across the board. We will fulfill the requirement of devoting more energy to and working out more methods for consolidating and building upon the outcomes of the battle against poverty by continuing to give a helping hand during the five-year transition period. The central government will allocate 165 billion yuan in the follow-up rural revitalization assistance fund, an increase of 8.476 billion yuan, according to the principle that such funding should only increase and not decrease. More funding will be tilted toward areas that are facing tough challenges in consolidating and building upon success in poverty alleviation and that have limited foundations for rural revitalization. We will support areas that have been lifted out of poverty in developing industries with distinctive local features, and make use of both public-welfare jobs and work-relief programs to ensure employment and sustained income growth for those who have escaped poverty. We will provide follow-up support for people who have been relocated from inhospitable areas, and boost capacity for self-sufficient development in areas that have shaken off the yoke of poverty.

We will advance development of rural areas in an orderly manner. We will strengthen funding safeguards for the operations of village-level organizations, and support the growth of collective village economies. We will back efforts to bolster rural infrastructure, and continue to improve rural living environments. For instance, we will support coordinated efforts to further renovate toilets and improve household sewage and waste treatment in rural areas in light of local conditions, and make rural water supply more secure. We will press ahead with deeply integrated development of primary, secondary, and tertiary industries in rural areas, and lift the development of national modern agriculture industrial

parks, clusters of leading agro-industries with unique advantages, and towns with particular agro-industrial strengths to new levels. We will back efforts to foster high-caliber farmers. We will continue to provide government rewards and subsidies for rural public welfare initiatives, and improve working and living conditions in rural areas via the construction of related projects. We will support the protection of traditional villages throughout areas where these villages are concentrated, deepen trials and experiments in comprehensive rural reform, and facilitate the building of a beautiful countryside.

5) Continuing to improve the environment and promote green and low-carbon development

We will redouble efforts to address pollution. Laying emphasis on key sectors and links, we will support efforts to intensify the battle against pollution. The central government will allocate 30 billion yuan for the prevention and control of air pollution, an increase of 2.5 billion yuan, with a view to supporting more cities in northern China in adopting clean energy sources for winter heating. Another 23.7 billion yuan will be allocated for the prevention and control of water pollution, a rise of 2 billion yuan, in order to keep our waters clear, especially in the Yangtze and Yellow river basins. Continued support will be provided to comprehensively address over-extraction of groundwater. The amount of special funds for the prevention and control of soil pollution will be consistent with the previous year, with greater efforts made to prevent pollution at the source, manage relevant risks, and treat and restore polluted soil. We will support comprehensive utilization of crop straw as well as rational use and recycling of agricultural plastic sheeting. A reduced corporate income tax rate of 15% will be temporarily applied to third-party enterprises engaged in pollution prevention and control, thereby encouraging market entities to take part in such efforts.

We will bolster the protection and restoration of ecosystems. We will work faster to establish a system of compensation for ecological conservation, including both category-based and comprehensive compensation, as well as compensation both from higher-level governments to lower-level governments and from one local government to another. We will allocate 99.204 billion yuan of transfer payments to key ecosystem service zones, an increase of 12%, in order to encourage greater local efforts in ecological conservation. We will allocate 17 billion yuan of special

funds for ecological protection, restoration, and improvement in key areas, a rise of 42.9%, to promote holistic protection and systematic conservation of mountain, river, forest, farmland, lake, grassland, and desert ecosystems, and to implement demonstration projects for ecological restoration in abandoned mining areas. We will support afforestation and the protection and restoration of forest, grassland, wetland, and marine ecosystems, and develop a national park-based nature reserve system. We will also set up the Kunming Biodiversity Fund.

We will promote steady and orderly efforts to reach peak carbon emissions and carbon neutrality. We will continue to coordinate efforts to cut carbon emissions, reduce pollution, expand green development, and pursue economic growth. We will maintain appropriate pace and intensity in this regard, and work toward peak carbon emissions and carbon neutrality in a step-by-step manner. We will look into introducing guidelines on fiscal support for realizing peak carbon emissions and carbon neutrality. We will back the development of green and low-carbon industries and R&D in relevant technologies, and promote energy conservation and emissions reduction in the manufacturing and transportation sectors as well as the steel and building materials industries. Standards for green procurement by government bodies will be improved to promote the procurement of green and low-carbon products. We will work on the establishment of a national fund for low-carbon transition. We will promote optimization of the energy mix, improve policies supporting the use of clean energy sources, and vigorously develop renewable energy. We will support the exploration and utilization of unconventional natural gas, and encourage relevant enterprises to increase their gas storage and output. We will also work to address funding shortfalls in subsidizing the use of renewable energy for power generation.

6) Focusing on meeting basic needs to effectively ensure and improve public wellbeing

We will support the development of a high-quality education system. We will improve the structure of spending on education. We will increase spending on compulsory education, further improve conditions at rural schools, and promote high-quality, well-balanced, and integrated development of compulsory education in both urban and rural areas. We will raise funds through multiple channels to support afterschool services provided at compulsory education institutions. We

will take concrete steps to guarantee proper pay levels for teachers in compulsory education and ensure that they receive their pay packages on time and in full. We will strengthen the training of rural teachers. We will allocate 23 billion yuan for the development of preschool education, an increase of 3 billion yuan, to support public-benefit preschool education. We will redouble efforts to develop county-level regular senior secondary schools. We will increase funding for vocational education, allocating 30.257 billion yuan for initiatives devised to enhance the quality of modern vocational education, a rise of 2.5 billion yuan. We will deepen industry-education integration to train more technicians and skilled workers. We will support the development of first-rate universities and disciplines, with a view to increasing our capacity for cultivating talent and conducting innovative research. We will also step up support for institutions of higher education in the central and western regions, and help enhance special needs education and continuing education.

We will improve the healthcare system. We will continue to support routine epidemic control, vaccination, and drug research and development efforts, and extend preferential income tax policies for medical workers and epidemic prevention workers. Government subsidies for basic medical insurance for rural and non-working urban residents will increase by an average of 30 yuan per person, reaching 610 yuan per person per year. Government subsidies for basic public health services will increase by an average of 5 yuan per person, reaching 84 yuan per person per year, and improvements will be made to service programs and service quality. We will promote provincial-level unified management of basic medical insurance funds, and ensure that management responsibilities are fulfilled at each level. We will see that on-the-spot settlement of out-of-province medical expenses becomes more convenient and efficient, and continue to include more medicines and high-priced medical consumables in state-organized bulk purchases. We will deepen the reform of medical insurance payout models, and intensify supervision over medical insurance funds. We will steadily enhance services for the prevention and treatment of illnesses including cardiovascular and cerebrovascular diseases and cancer, and better ensure the supply of medicines for rare diseases. We will enhance the capacity of public hospitals, primary-level healthcare institutions, and disease prevention and control agencies, step up the training of healthcare personnel, and implement demonstration projects for reform

and high-quality development of public hospitals. Trials for long-term care insurance will be steadily advanced. We will step up the development of a high-quality, efficient system of traditional Chinese medicine services, and support the major project of developing traditional Chinese medicine.

We will improve the social security system. We will make steady efforts to bring basic old-age insurance funds for enterprise employees under unified national management, appropriately raise basic pension benefits for retirees and minimum basic pension benefits for rural and non-working urban residents, and ensure that such benefits are paid on time and in full. We will continue to regulate the development of private pensions as a “third pillar,” and facilitate efforts to build a system for providing home, community, and institution-based elderly care that meets different medical and health care needs. We will work faster to promote provincial-level unified management of workers’ compensation funds and unemployment insurance funds. Childcare expenses for children under the age of three will be included in special additional deductions for individual income tax. We will improve social security policies for people in flexible employment, and launch occupational injury insurance trials for people in new forms of employment. Support will be provided to improve social assistance systems of different types at different levels, and 154.683 billion yuan will be allocated in aid subsidies for people in need, an increase of 7.062 billion yuan, with a view to ensuring that the basic living needs of these people are met.

We will improve the housing support system. Upholding the principle that housing is for living in and not for speculation, we will encourage both the rental and purchase of housing, and fully implement long-term mechanisms in the real estate market. Central government funding for government-subsidized housing projects in urban areas will be used in a more effective way, and support will be given to increase the supply of government-subsidized rental housing and develop the long-term rental market. By replacing subsidies with rewards, we will continue to encourage renovation of dilapidated rural housing as well as upgrading of rural housing to make it more earthquake resistant.

We will promote the development of culture and sports. We will support integrated development of urban and rural public cultural services, and expand the supply of quality cultural products, with a view to satisfying the people’s diverse cultural

needs. We will support the preservation and development of fine traditional Chinese culture, and redouble efforts to protect and utilize our cultural relics and ancient books and to preserve and pass on our intangible cultural heritage. We will promote the development of the Great Wall, Grand Canal, Long March, and Yellow River national cultural parks. We will improve policies for funding the arts, publication, and film production, in order to support writers and artists and their work. We will back the development of cultural industries. Support will also be provided for making public sports facilities available to members of the public free of charge or inexpensively, and for carrying out extensive public fitness activities, with a view to building China into a country strong on sports.

7) Strengthening funding and policy support for national defense, diplomacy, and judicial and law enforcement work

We will implement the military strategy for the new era, support efforts to accelerate the modernization of national defense and the armed forces, and promote innovative development of defense-related science, technology, and industry. We will improve policies for supporting demobilized military personnel and provide assistance to them in getting settled and finding employment. We will continue to increase subsidies and living allowances for entitled groups. To support the development of major country diplomacy with Chinese characteristics, we will provide stronger backing for major diplomatic events, give full play to the role of bilateral and multilateral mechanisms for financial and economic dialogue as well as international development institutions as platforms, actively participate in reform of the global governance system, and make further headway in promoting high-quality development of the Belt and Road Initiative through joint efforts. We will support in-depth reform of law enforcement and the judiciary, adhere to the principle of conducting social governance through a systematic, holistic, and law-based manner that addresses issues at their source, and help usher in a new stage in building a Peaceful China to provide more robust safeguards for development and security. We will step up public legal services and legal aid, and work to enhance our capacity for disaster prevention, mitigation, and relief as well as emergency rescue.

4. General public budgetary revenue and expenditure for 2022

1) Central general public budget

Revenue in the central government's general public budget is projected at 9.488 trillion yuan, up 3.8% over the actual figure in 2021. Adding in 276.5 billion yuan from the Central Budget Stabilization Fund and 990 billion yuan from the budgets of central government-managed funds and central government state capital operations, total revenue is expected to be 10.7545 trillion yuan. Expenditures in the central general public budget are projected to be 13.4045 trillion yuan, an increase of 14.3%. Total expenditure will exceed total revenue, leaving a deficit of 2.65 trillion yuan, which is 100 billion yuan lower than in 2021.

Expenditures in the 2022 central general public budget comprise central government expenditures, transfer payments to local governments, and payments to central government reserve funds.

(1) Central government expenditures are projected at 3.557 trillion yuan, up 3.9%. In compliance with belt-tightening requirements, central departments will cut expenditures by 2.1%. This does not include spending on national defense and the armed police, on issuance and interest payments of government bonds, and on national reserves. Expenditures on non-obligatory and non-key projects will continue to be cut in accordance with strict controls on central department spending in recent years. At the same time, however, central departments will be given full support to ensure that they are able to perform their duties, and expenditures on education, science, and technology will not be reduced. The main expenditures budgeted at the central level include the following: 150.782 billion yuan on general public services, down 1.9%; 50.266 billion yuan on diplomatic endeavors, up 2.4%; 1.45045 trillion yuan on national defense, up 7.1%; 194.993 billion yuan on public security, up 4.7%; 152.578 billion yuan on education, the same as the year before (national spending, which includes local outlays, will increase by 10.6%); 318.727 billion yuan on science and technology, equivalent to the previous year (national spending, which includes local outlays, will rise by 7.2%); 113.647 billion yuan on stockpiling grain, edible oils, and other materials, an increase of 2.3%; and 638.2 billion yuan on debt interest payments, up 8.8%.

(2) A total of 8.9975 trillion yuan will be transferred to local governments, an increase of 8.4%. General transfer payments to local governments will total 8.213892 trillion yuan, up 8.7%. These payments will mainly be used to increase funds available to local governments for ensuring equitable access to basic public

services and ensuring people's basic wellbeing, payment of salaries, and normal government functioning at the primary level. Special transfer payments to local governments (including central government budgetary investment) will rise by 4.7% to 783.608 billion yuan, mainly to cover increased expenditures on ecological conservation, industrial transformation and upgrading, and coordinated regional development. Adding in a total of 800 billion yuan in one-time special transfer payments from profits turned in by designated state-owned financial institutions and from state monopoly business operations, which will be used to support primary-level governments in implementing tax and fee reduction policies and key policies regarding public wellbeing, transfer payments will reach 9.7975 trillion yuan, an increase of 18%.

(3) A total of 50 billion yuan will be appropriated for central government reserve funds, which is consistent with the budgeted figure for 2021. The reserve funds in use will be counted as either central government expenditures or transfer payments to local governments, according to their use in practice.

2) Local general public budget

Revenue in the local general public budget is projected at 11.526 trillion yuan, up 3.7%. Adding in 9.7975 trillion yuan in transfer payments from the central government and 1.062 trillion yuan transferred from other local sources and utilized carryover and surplus funds, total revenue is expected to be 22.3855 trillion yuan. Expenditure in the local general public budget is projected at 23.1055 trillion yuan, up 8.9%. This will create a deficit of 720 billion yuan at the local level, a decrease of 100 billion yuan compared with 2021, which will be supplemented through the issue of general-purpose local government bonds.

3) National general public budget

Revenue in the national general public budget, combining the general public budgets of both the central and local governments, is projected at 21.014 trillion yuan, an increase of 3.8%. With the addition of 2.3285 trillion yuan transferred from other sources and utilized carryover and surplus funds, total revenue is calculated at 23.3425 trillion yuan. Expenditure in the national general public budget is projected at 26.7125 trillion yuan (including 50 billion yuan for central government reserve funds), an increase of 8.4%. This will create a deficit of 3.37 trillion yuan, a decrease of 200 billion yuan compared with 2021.

5. Budgetary revenue and expenditure of government-managed funds for 2022

Budgetary revenue of central government-managed funds is projected to be 421.667 billion yuan, up 5.3%. Adding in 35.467 billion yuan carried forward from last year and 1.65 trillion yuan turned in by designated state-owned financial institutions and from state monopoly business operations, total revenue is calculated at 2.107134 trillion yuan. Budgetary expenditure of central government-managed funds is expected to total 807.134 billion yuan. This figure consists of 718.343 billion yuan of central government spending, and 88.791 billion yuan in transfer payments to local governments. A projected 900 billion yuan will be transferred into the central general public budget.

Budgetary revenue of local government-managed funds is projected to be 9.442 trillion yuan, up 0.4%. Adding in 88.791 billion yuan in transfer payments from the budget of central government-managed funds and 3.65 trillion yuan of revenue generated from special local government debt, total revenue is expected to be 13.180791 trillion yuan. Budgetary expenditure of local government-managed funds is expected to total 13.180791 trillion yuan, an increase of 19.3%.

Budgetary revenue of government-managed funds nationwide, combining central and local government-managed funds, is projected at 9.863667 trillion yuan, up 0.6%. Adding in 35.467 billion yuan carried over from last year, 1.65 trillion yuan turned in by designated state-owned financial institutions and from state monopoly business operations, and 3.65 trillion yuan of revenue generated from special local government debt, the total revenue of government-managed funds nationwide is calculated at 15.199134 trillion yuan. Budgetary expenditure of government-managed funds nationwide is projected at 13.899134 trillion yuan, an increase of 22.3%. A projected 900 billion yuan will be transferred into the general public budget.

6. Budgetary revenue and expenditure of state capital operations for 2022

Budgetary revenue of central government state capital operations is projected at 226.808 billion yuan, up 13.5%. Adding in 35.537 billion yuan carried over from last year, total revenue is calculated at 262.345 billion yuan. Budgetary expenditure of central government state capital operations is expected to total 172.345 billion yuan, up 61.8%. This is mainly due to increased budgetary spending based on carryover from 2021 and revenue of 2022, according to the principle of basing

expenditures on receipts. This figure consists of 169.062 billion yuan of central government spending and 3.283 billion yuan in transfer payments to local governments. A projected 90 billion yuan will be transferred into the central general public budget.

Budgetary revenue of local government state capital operations is projected to be 286 billion yuan, a drop of 10.1%. Adding in 3.283 billion yuan in transfer payments from the central government state capital operations budget and 30.886 billion yuan carried over from last year, total revenue is calculated at 320.169 billion yuan. Budgetary expenditure of local government state capital operations is estimated at 182.957 billion yuan, an increase of 7.6%. A projected 137.212 billion yuan will be transferred into the local general public budget.

Revenue in the state capital operations budgets of both the central and local governments is projected at 512.808 billion yuan, down 1%. Adding in 66.423 billion yuan carried over from last year, the total budgetary revenue of state capital operations nationwide is calculated at 579.231 billion yuan. Budgetary expenditure of state capital operations nationwide is estimated at 352.019 billion yuan, up 34.1%. A projected 227.212 billion yuan will be transferred into the general public budget.

7. Budgetary revenue and expenditure of social insurance funds for 2022

Starting in 2022, we will implement a unified national management system for enterprise employees' basic old-age insurance funds. In an effort to implement unified national management and regulation, we will establish a unified central management mechanism over the basic elements of old-age insurance, a permanent mechanism for replenishing old-age insurance funds through local government contributions, and a performance evaluation mechanism. This will help make the basic old-age insurance system more sustainable. Compared with the central regulation we conducted in 2021, more funds will be involved this year and 21 provinces will be required to make contributions. We will thus be able to make burdens on provinces more equal and reasonable and to address all present shortfalls in old-age insurance funds in various localities.

Budgetary revenue of the central government social insurance fund is projected at 42.649 billion yuan, a drop of 58.3%, and expenditure from the fund is estimated at 49.73 billion yuan, down 50.7%. Considerable declines in revenue and

expenditure are primarily attributable to the completion of efforts to settle accounts in 2021 by the majority of central Party and government offices and public institutions in Beijing in preparation for basic old-age insurance reform. Under unified national management of enterprise employees' basic old-age insurance funds, local governments are expected to turn in 217.503 billion yuan for central regulation, while the central government will reallocate 217.588 billion yuan to local governments (with the shortfall to be covered with the interest income of centrally-regulated funds). Taking this into consideration, the budgetary deficit of the central government social insurance fund will stand at 7.166 billion yuan this year, primarily due to the planned utilization of 8.199 billion yuan of surplus funds in the special fiscal accounts of the central social security fund for addressing problems and challenges faced by localities in the area of old-age insurance. The year-end balance will be 14.315 billion yuan after the balance from 2021 has been rolled over.

Budgetary revenue of local government social insurance funds is projected at 9.98471 trillion yuan, up 6.5%. Expenditure of these funds is estimated at 9.191548 trillion yuan, an increase of 5.8%. Taking unified national management into account, the budgetary surplus of local government social insurance funds will be 793.247 billion yuan this year, and the year-end balance will come to 10.911275 trillion yuan after the balance from 2021 has been rolled over.

Counting both central and local government budgets, revenue of social insurance funds nationwide is calculated at 10.027359 trillion yuan, an increase of 5.8%. This includes 7.128002 trillion yuan in insurance premiums and 2.410566 trillion yuan in government subsidies. Budgetary expenditure of social insurance funds nationwide is expected to total 9.241278 trillion yuan, up 5.2%. With a projected surplus of 786.081 billion yuan, the year-end balance will be 10.92559 trillion yuan after the balance from 2021 has been rolled over.

In 2022, the ceiling for outstanding central government debts is 26.700835 trillion yuan; the ceiling for outstanding local government general debts is 15.828922 trillion yuan; and the ceiling for outstanding local government special debts is 21.818508 trillion yuan.

It should be noted that as local budgets are formulated by local people's governments and submitted for approval to the people's congresses at their

respective levels, the relevant data is still being compiled. All projected figures for local revenue and expenditure in this report have been compiled based on the preliminary calculations of the central finance authorities.

In accordance with the Budget Law, after the beginning of a new budget year and prior to the approval of that year's draft budgets by the NPC, arrangements may be made for the following expenditures: carryover expenditures from the previous fiscal year; the basic expenditures and project expenditures of government departments and transfer payments to lower-level governments that must be made in the current year, which are to be arranged with reference to the budgetary expenditure amount for the same period over the previous year; expenditures mandated by law; and expenditures for dealing with natural disasters and other emergencies.

In line with the above stipulations, expenditures in the central general public budget totaled 1.5217 trillion yuan in January 2022, including 182.1 billion yuan in expenditures at the central level and 1.3396 trillion yuan in transfer payments to local governments.

III. Fiscal Reform and Development in 2022

1. Strictly enforcing the Budget Law and its implementation regulations

With a commitment to formulating budgets in accordance with the law, we will earnestly enforce the Budget Law and its implementation regulations, rigorously execute budgets approved by people's congresses, and strengthen budget constraints. We will make revenue and expenditure in the budget more holistic, strengthen management over revenue and expenditure of government departments and institutions, and enhance our capacity for unified management of fiscal resources. In an effort to develop the system of standards for budgetary expenditures, we will work quickly to establish a system of industry, region, and category-based standards for project expenditures at different levels. We will carry out management over the entire lifecycle of projects, and improve the mechanism for formulating project budgets on a yearly basis in order to balance budgets across fiscal years. Mechanisms for assessing and adjusting transfer payments will be improved. We will further reform performance-based budgetary management by

focusing it on implementing major decisions and plans of the Party Central Committee and the State Council, increase the quality of performance targets and indicators, step up performance evaluations, put the outcomes of such evaluations to better use, and make relevant information public. By doing so, we will work fast to establish a multi-dimensional and full-process system for performance-based budgetary management with total coverage. We will advance the development of an integrated system for budget management and provide greater support for related efforts.

2. Ensuring timely and effective implementation of tax and fee cuts

We will put meticulous effort into the implementation of tax and fee cuts, intensify inter-departmental coordination, step up publicity of these policies, streamline the process of filing taxes, and improve tax services, so as to help market entities take full advantage of supporting tax and fee policies. Prompt evaluations, adjustments, and improvements will be made in line with the comments of market entities and other parties involved as well as the implementation of these policies in practice. We will step up oversight and inspection, ensure smooth channels for reporting and investigating irregular charges on enterprises, crack down on tax evasion and tax fraud in accordance with the law, and take firm steps to investigate and address arbitrary charges, fines, quotas, and any other acts that infringe upon the lawful rights and interests of market entities. We will improve the mechanism for the direct allocation of government funds, intensify review of filed allocation plans, and improve the oversight system, so as to better support local governments in implementing tax and fee cuts. All local governments must exercise coordinated planning over transfer payments from the central government and their own funds, and channel more financial resources to primary-level governments. This will help ensure effective implementation of combined supporting policies through tax and fee cuts.

3. Building the legal foundations of government finance

As we work to thoroughly implement Xi Jinping's thinking on the rule of law and the Outline for Building a Law-Based Government (2021-2025), we will improve the system of laws and administrative regulations relating to government finance so as to promote fiscal reform and development on a legal footing and make the administration and management of public finance more law-based. We

will expedite legislation related to VAT, excise tax, and tariffs, facilitate revision of the Government Procurement Law, the Accounting Law, and the Law on Certified Public Accountants, and promote the launch of regulations on the management of state-owned financial capital. We will proceed with formulating a list of powers and responsibilities of the Ministry of Finance and make this list public, thus strengthening oversight and constraints on the exercise of fiscal power. We will improve the system for managing government enforcement of laws related to finance, refine enforcement procedures, implement the system of responsibility for enforcement, and work to ensure that law enforcement is strict, procedure-based, impartial, and civil, with a view to improving the business environment.

4. Forestalling and defusing hidden local government debt risks

Resolute action must be taken to prevent new hidden local government debt. With this goal in mind, we must enhance information sharing and coordinated oversight between departments, and strengthen budget constraints and management of government investment projects. We must also always maintain a tough stance in oversight, taking immediate action to investigate and deal with related issues. We will support local governments in properly addressing existing hidden debts and ensure that efforts to deal with risks do not themselves become a source of risk. In line with the decisions and plans of the Party Central Committee and the State Council, we will support certain eligible regions in advancing trials for zero hidden debts through a prudent approach, and work to improve long-term mechanisms for forestalling and defusing hidden debt risks. We will reprimand those responsible for debt financing that violates laws or regulations, and strictly implement the accountability system so as to produce a powerful deterrent effect. We will advance market-oriented transformation of companies that serve as platforms for local financing. In earnestly implementing the Guidelines for Strengthening Local People's Congresses' Examination and Oversight of Local Government Debt, governments at all levels must submit to exhaustive review and full-process oversight of budgets by people's congresses.

5. Strengthening oversight on accounting

We will step up ongoing oversight and inspection of the implementation of major decisions and plans made by the Party Central Committee and the State Council in order to promote effective implementation of major fiscal and tax

policies. With a focus on major sectors essential to national development and the people's wellbeing, we will intensify examination of the quality of accounting information and the quality of work done by accounting firms. We will report on representative cases and use these to explain relevant laws, thereby further tightening fiscal discipline. We will improve regulations on oversight, and set up a unified accounting oversight and management platform and a platform for reporting malpractice. We will make in-depth efforts to educate people about the importance of integrity and to build a culture of integrity in the field of accounting, and improve the mechanism of joint incentives for acts of good faith and joint punishment for acts of bad faith. We will work to build the talent pool for accounting oversight, make effective use of big data and IT-based approaches, and strengthen links and coordination between accounting oversight and oversight in other areas in order to create synergy and boost effectiveness.

6. Deepening fiscal and tax system reform

We will implement the guidelines on deepening reform of the budget management system, work to make budget management more standardized, procedure-based, and rational, and improve transparency of budgets and final accounts. We will step up management over final accounts of the government, and steadily promote the compilation of project expenditures in draft final accounts according to economic categories. We will optimize the structure of the taxation system, continue to promote the collection of excise tax further downstream in the production-to-consumption process, and work to improve excise tax policies on certain items. We will continue to fully participate in the formulation of international rules in response to the tax challenges posed by the digital economy. We will promote fiscal reform and improve the system of transfer payments at the provincial level and below. We will refine the framework of the government financial reports system, and ensure that work related to the compilation of the central government's comprehensive financial report and the filing of this report with the NPC Standing Committee is effectively performed. We will step up the management of state-owned financial capital, improve fiscal constraints on state-owned financial enterprises, and perform our duties well as investors. We will improve the system for managing state-owned assets of central administrative agencies and public institutions and their affiliated enterprises. Solid steps will be

taken to produce a comprehensive report on the management of state-owned assets.

7. Submitting to budget review and oversight and actively cooperating with the NPC in this regard

We will implement the Decision to Strengthen Examination and Oversight of Central Government Budgets of the NPC Standing Committee, and develop implementation guidelines. We will act on resolutions and comments regarding budgets made by the NPC and its Standing Committee, promptly report on the progress of fiscal and tax reform and major financial initiatives, and continue to improve budget management. We will ensure good regular communication with NPC deputies and members of the CPPCC National Committee, and earnestly study their opinions and suggestions. We will also integrate their suggestions and proposals into our efforts to improve our policies, mechanisms, and work. This will help us address important and challenging issues of public concern. We will work harder to correct problems discovered in auditing, strictly enforce responsibility for corrections, and tighten ongoing oversight so as to ensure that public funds and public assets are secure and that policies benefiting both enterprises and the people are properly implemented.

Esteemed Deputies,

Struggle creates history; hard work makes a bright future. We will rally more closely around the Party Central Committee with Comrade Xi Jinping at its core, hold high the banner of socialism with Chinese characteristics, and follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We will boost our consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment with the central Party leadership; stay confident in the path, theory, system, and culture of socialism with Chinese characteristics; and uphold General Secretary Xi Jinping's core position on the Party Central Committee and in the Party as a whole, and uphold the Party Central Committee's authority and its centralized, unified leadership. We will readily submit to the oversight of the NPC, earnestly solicit comments and suggestions from the CPPCC National Committee,

meet challenges head-on, forge ahead with even greater resolve, and ensure that all public finance initiatives are carried out effectively. Through these efforts, we will set the stage for a triumphant 20th National Party Congress with solid work, and keep pressing ahead to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful, and to realize the Chinese Dream of national rejuvenation.