

**REPORT ON THE EXECUTION OF THE CENTRAL AND  
LOCAL BUDGETS FOR 2022 AND ON THE DRAFT CENTRAL  
AND LOCAL BUDGETS FOR 2023**

*First Session of the 14th National People's Congress of  
the People's Republic of China*

*March 5, 2023*

Ministry of Finance

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## **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 2022 and on the draft central and local budgets for 2023 to the present First Session of the 14th 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 2022 Central and Local Budgets**

The year 2022 was of great importance in the history of both the Party and the country. The 20th CPC National Congress was held successfully. It drew up a grand blueprint for turning China into a modern socialist country in all respects, charting the course for the development of the cause of the Party and the country on the new journey in the new era to achieve the Second Centenary Goal and establishing a guide to action in this regard. Over the past year, confronted with high winds and choppy waters in the global environment and faced with the challenging tasks of promoting reform, development, and stability at home, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, all localities and departments followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the guiding principles from the 19th National Congress and the plenary sessions of the 19th Party Central Committee, and earnestly studied and implemented the guiding principles from the 20th National Congress.

We fully applied the decisions and plans of the Party Central Committee and the State Council and remained committed to the general principle of pursuing progress while ensuring stability. We implemented the requirements of ensuring effective Covid-19 response, economic stability, and safe development across the board, and fully and faithfully applied the new development philosophy on all fronts. We worked to create a new pattern of development, promote high-quality development, and deepen supply-side structural reform. We gave consideration to

both domestic and international imperatives, responded to the Covid-19 epidemic while also promoting economic and social development, and ensured both development and security.

We rigorously executed the budgets reviewed and approved at the Fifth Session of the 13th NPC and strengthened macro regulation to respond to shocks from factors that exceeded expectations. We steadily raised the quality of development, made major advances in scientific and technological innovation, deepened reform and opening up across the board, and scored solid progress in advancing the Beautiful China Initiative. We essentially kept employment and prices stable, effectively ensured food and energy security, and met people's basic living needs, thus maintaining economic and social stability.

Over the past year, public finance work faced multiple challenges and fiscal operations remained tight, posing great difficulties. The economy initially got off to a steady start in the first quarter, with revenue in the national general public budget increasing by 8.6%. In the second quarter, however, as influenced by the resurgence of Covid-19 and the evolving international landscape, downward pressure on the economy suddenly increased. Added to that, large-scale value-added tax (VAT) credit refund policy was applied. As a result, fiscal revenue fell sharply, with a decrease of 41.3% in the national general public budget in April. After the introduction of a package of policies and follow-up measures to stabilize the economy, the economic downturn was effectively curbed. The decline in fiscal revenue narrowed to 32.5% and 10.5% in May and June, respectively. Moreover, as the application of the VAT credit refund policy was largely completed in the first half of the year, fiscal revenue took a turn for the better in the second half. Positive growth resumed in August with an increase of 5.6%, and a faster rate of recovery was registered in the following months.

During the execution of budgets, finance departments firmly implemented the decisions and plans of the Party Central Committee and the State Council, responded proactively to changes and difficulties, and stepped up analysis and assessment of economic conditions and fiscal revenue and spending. We strengthened unified management of fiscal resources, put state assets and resources to good use through multiple avenues, and reviewed and took back

carryover and surplus funds in a timely manner. We better allocated funds from the treasury, acted in strict compliance with belt-tightening requirements, and thus ensured spending on key areas such as securing people's wellbeing. In addition, continued efforts were made to tighten fiscal discipline. The national budget over the past year was executed largely in line with the conditions of economic development, and the central government's revenue and expenditure were consistent with budget projections, with actual expenditure slightly lower than the budgeted figure. We therefore provided essential fiscal support for effectively responding to the Covid-19 epidemic while also promoting economic and social development.

*1. Revenue and expenditure in the general public budget in 2022*

**1) National general public budget**

Revenue in the national general public budget was 20.370348 trillion yuan, representing 96.9% of the budgeted figure and an increase of 0.6% compared with 2021. Revenue included tax receipts of 16.661396 trillion yuan, a decrease of 3.5%, and non-tax revenue of 3.708952 trillion yuan, an increase of 24.4%. This was mainly due to the fact that idle state-owned resources and assets were put to use, and revenue from the compensated use of them increased considerably. With the addition of 2.4541 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 22.824448 trillion yuan.

Expenditure in the national general public budget was 26.060917 trillion yuan, representing 97.6% of the budgeted figure and an increase of 6.1%. With the addition of 118.531 billion yuan used to replenish the Central Budget Stabilization Fund and 15 billion yuan transferred to budgets of government-managed funds, total expenditure reached 26.194448 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 3.37 trillion yuan, which is consistent with the figure projected.

**2) Central general public budget**

Revenue in the central government's general public budget was 9.488498 trillion yuan, representing 100% of the budgeted figure and an increase of 3.8%.

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 came to 10.754998 trillion yuan.

Expenditure in the central government's general public budget totaled 13.271467 trillion yuan, representing 99% of the budgeted figure and an increase of 13.3%, mainly due to the increased transfer payments to local governments. This figure includes: central government expenditures of 3.556992 trillion yuan, representing 100% of the budgeted figure and a 3.9% increase; and transfer payments to local governments of 9.714475 trillion yuan, representing 99.2% of the budgeted figure and an increase of 17.1% (or 6.8% after deducting one-time special transfer payments to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects). With the addition of 118.531 billion yuan contributed to the Central Budget Stabilization Fund and 15 billion yuan transferred to the budget of central government-managed funds, total expenditure reached 13.404998 trillion yuan. Total expenditure exceeded total revenue, leaving a deficit of 2.65 trillion yuan, which is consistent with the figure projected.

*Main revenue items in the central government's general public budget:* Domestic VAT revenue was 2.425505 trillion yuan, 77.1% of the budgeted figure. This was primarily due to the larger decrease in revenue as a result of the intensified application of the VAT credit refund policy. Domestic excise tax revenue reached 1.669881 trillion yuan, 111.6% of the budgeted figure, mainly because of higher taxes on refined oil products, cigarettes, and other products. Corporate income tax revenue was 2.786645 trillion yuan, 97.4% of the budgeted figure. Individual income tax revenue was 895.377 billion yuan, 96.8% of the budgeted figure. Revenue from customs duties totaled 286.029 billion yuan, 98% of the budgeted figure. Revenue from VAT and excise tax on imports came to 1.999478 trillion yuan, 109.9% of the budgeted figure, primarily due to higher prices for imported commodities and better-than-expected growth of imports in general trade.

*Main expenditures in the central government's general public budget:* General public service expenditures reached 157.854 billion yuan, 104.7% of the budgeted figure. Diplomatic spending totaled 48.883 billion yuan, 97.2% of the budgeted figure.

National defense spending was 1.449963 trillion yuan, 100% of the budgeted figure. Public security expenses totaled 196.464 billion yuan, 100.8% of the budgeted figure. Spending on education came to 152.426 billion yuan, 99.9% of the budgeted figure. Spending on science and technology amounted to 321.552 billion yuan, 100.9% of the budgeted figure. Spending on stockpiling grain, edible oils, and other materials was 116.934 billion yuan, 102.9% of the budgeted figure. Interest payments on debt totaled 652.399 billion yuan, 102.2% of the budgeted figure.

*Central government transfer payments made to local governments:* General transfer payments totaled 8.099423 trillion yuan, 98.6% of the budgeted figure. Special transfer payments reached 761.703 billion yuan, 97.2% of the budgeted figure. In addition, one-time special transfer payments to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects reached 853.349 billion yuan, 106.7% of the budgeted figure.

In 2022, a total of 498 million yuan of extra revenue and 118.033 billion yuan of unspent funds in the central general public budget were contributed in full to the Central Budget Stabilization Fund. Central government reserve funds budgeted for 2022 amounted to 50 billion yuan. Of this, actual spending was 11 billion yuan, which was mainly used to support localities in carrying out drought relief and disaster mitigation. The 39 billion yuan surplus (already included in the aforementioned 118.033 billion yuan of unspent funds) was contributed in full to the Central Budget Stabilization Fund. Adding in 510 million yuan of carryover and surplus funds from central government-managed funds, at the end of 2022, the Central Budget Stabilization Fund had a balance of 235.163 billion yuan.

### **3) Local general public budget**

Revenue in the local general public budget was 20.596325 trillion yuan. This figure includes 10.88185 trillion yuan in local government revenue, a decrease of 2.1% compared with 2021, and 9.714475 trillion yuan in transfer payments from the central government. With the addition of 1.1876 trillion yuan 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 21.783925 trillion yuan. Expenditures in the local general public budget totaled 22.503925 trillion yuan, a 6.4% increase. Total

expenditure exceeded total revenue, creating a local government deficit of 720 billion yuan, which is consistent with the figure projected.

## *2. Revenue and expenditure of government-managed funds in 2022*

Revenue of China's government-managed funds in 2022 was 7.787934 trillion yuan, representing 79% of the budgeted figure and a decrease of 20.6%, mainly due to the drop in proceeds from the sale of state-owned land-use rights. Adding in 35.468 billion yuan carried over from 2021, 3.65 trillion yuan raised by local governments through special-purpose bonds, 15 billion yuan from the general public budget, and 1.81 trillion yuan from profits turned in by designated state-owned financial institutions and state monopoly business operations, total revenue amounted to 13.298402 trillion yuan. Expenditure of all government-managed funds was 11.058328 trillion yuan, representing 79.6% of the budgeted figure and a decrease of 2.5%. This was mainly due to the drop in proceeds from the sale of state-owned land-use rights, which resulted in a corresponding reduction in expenditure.

Revenue of central government-managed funds was 412.399 billion yuan, representing 97.8% of the budgeted figure and an increase of 3%. Adding in the funds carried forward from 2021 and transferred from other sources, as well as profits turned in by designated state-owned financial institutions and state monopoly business operations, total revenue came to 2.272867 trillion yuan. Expenditure of central government-managed funds amounted to 633.048 billion yuan, representing 78.4% of the budgeted figure, primarily due to lower-than-expected spending allocated from the surcharge on electricity generated from renewable energy sources. Broken down, this figure includes 554.379 billion yuan of central government spending and 78.669 billion yuan of transfer payments to local governments. Funds transferred from central government-managed funds to the central general public budget amounted to 900 billion yuan. Revenue of central government-managed funds exceeded expenditure by 739.819 billion yuan. Of this figure, 739.309 billion yuan (including a carryover of 710 billion yuan from profits turned in by designated state-owned financial institutions and state monopoly business operations) was carried forward to 2023, while 510 million yuan was contributed to the Central Budget Stabilization

Fund in accordance with regulations.

Revenue of local government-managed funds was 7.375535 trillion yuan, a decrease of 21.6%. This shortfall was due mainly to decreased proceeds from the sale of state-owned land-use rights. Adding in transfer payments of 78.669 billion yuan from central government-managed funds and 3.65 trillion yuan raised by local governments through special-purpose bonds, total revenue came to 11.104204 trillion yuan. Expenditure of local government-managed funds totaled 10.503949 trillion yuan, a decrease of 4.7%. This was mainly driven by the drop in proceeds from the sale of state-owned land-use rights, which resulted in a corresponding reduction in expenditure.

### *3. Revenue and expenditure of state capital operations in 2022*

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 568.86 billion yuan, representing 110.9% of the budgeted figure and an increase of 10%. This was mainly due to higher-than-expected SOE profits in 2021. Expenditure totaled 339.532 billion yuan, representing 96.5% of the budgeted figure and an increase of 29.5%. This was mainly due to increased spending on ensuring stable industrial and supply chains.

Revenue of central government state capital operations was 234.331 billion yuan, representing 103.3% of the budgeted figure and an increase of 17.2%. This was mainly due to higher-than-expected profits of central government enterprises in 2021. With the addition of 35.561 billion yuan carried over from 2021, total revenue was 269.892 billion yuan. Expenditure of central government state capital operations reached 171 billion yuan, representing 99.2% of the budgeted figure and an increase of 60.6%, mainly due to the enhanced support for ensuring stable industrial and supply chains. This included 166.102 billion yuan of central government spending and 4.898 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 90 billion yuan. A sum of 8.892 billion yuan of revenue from these operations has been carried over to 2023. This was mainly due to certain extra revenue in the execution of budgets that was carried over to 2023 in accordance with regulations.

Revenue of local government state capital operations reached 334.529 billion yuan, an increase of 5.5%. Adding in 4.898 billion yuan in transfer payments from the central government state capital operations budget to local governments and 13.302 billion yuan carried forward from 2021, total revenue was 352.729 billion yuan. Expenditure of local government state capital operations was 173.43 billion yuan, an increase of 2.2%. Funds allocated from the local government state capital operations budget to the local general public budget amounted to 160.65 billion yuan. An amount of 18.649 billion yuan of revenue from these operations has been carried over to 2023.

#### *4. Revenue and expenditure of social insurance funds in 2022*

Revenue of social insurance funds nationwide was 10.152298 trillion yuan, representing 101.2% of the budgeted figure and an increase of 4.8%. Revenue included 7.316974 trillion yuan in insurance premiums, a rise of 5.9%, and 2.368217 trillion yuan in government subsidies, an increase of 4.8%. Expenditure of social insurance funds nationwide totaled 9.145311 trillion yuan, representing 99% of the budgeted figure and an increase of 5.5%. The social insurance fund surplus for 2022 was 1.006987 trillion yuan, which was rolled over to make the year-end balance 11.478946 trillion yuan.

Revenue of the central government social insurance fund was 37.62 billion yuan, representing 88.2% of the budgeted figure. Expenditure of the central government social insurance fund was 36.352 billion yuan, representing 73.1% of the budgeted figure. This was mainly due to the fact that some central government offices and public institutions had yet to complete the settling of accounts while preparing to implement the old-age insurance system. Unified national management of enterprise employees' basic old-age insurance funds was implemented, with 243.959 billion yuan turned in by local governments for central regulation and 244.044 billion yuan reallocated by the central government. The shortfall of 85 million yuan was mainly covered with surplus funds in the form of

interest income earned from centrally-regulated funds in 2021. In addition, 8.2 billion yuan of surplus funds were also used to address special difficulties faced by a portion of localities in the area of old-age insurance. Taking that into account, expenditure of the central government social insurance fund in 2022 exceeded revenue by 7.017 billion yuan, leaving a year-end balance of 12.812 billion yuan.

Revenue and expenditure of local government social insurance funds reached 10.114678 trillion yuan and 9.108959 trillion yuan, respectively. Taking account of the above-mentioned shortfall of 85 million yuan and 8.2 billion yuan allotted from the central government social insurance fund, the year-end balance totaled 11.466134 trillion yuan after the surplus for 2022 of 1.014004 trillion yuan was rolled over. Provinces in central and western regions and in the northeastern region and other parts of the country where old industrial bases are located benefited from the allocation of these funds to the sum of 244.044 billion yuan.

At the end of 2022, outstanding central government debt was 25.869276 trillion yuan, which was within the NPC-approved budgeted limit of 26.700835 trillion yuan. We stayed within the approved limit primarily by issuing fewer treasury bonds and easing the burden of interest payments based on both the scale of treasury funds and market trends, while still ensuring expenditure needs were met. Outstanding local government debt totaled 35.0651 trillion yuan, which included 14.394469 trillion yuan of general debt and 20.670631 trillion yuan of special debt. This figure was also within the NPC-approved budget limit of 37.64743 trillion yuan. This was mainly because some local governments used budgetary funds to clear part of their outstanding debts.

#### *5. Implementation of the main fiscal and tax policies and other major fiscal work in 2022*

In 2022, 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. We remained committed to enhancing the efficiency of our proactive fiscal policy with a greater focus on

precision and sustainability. We implemented combined supporting policies through tax and fee cuts, accelerated the pace of budget execution, strengthened support for key fields, implemented fiscal policies at an early stage, and saw that fiscal policy was better coordinated with monetary policy as well as other types of policies. In doing so, we facilitated overall recovery and growth in the economy.

▪ **We furthered the implementation of our proactive fiscal policy to ensure overall economic stability.**

*Fully and effectively implementing combined supporting policies through tax and fee cuts*

We stepped up efforts to refund VAT credits on a large scale. All eligible micro and small enterprises as well as the manufacturing sector and five other sectors were included within the scope of this policy in April 2022. In the middle of the year, the policy was expanded to include the wholesale and retail industry, covering seven sectors in total, while priority was given to micro and small enterprises. Outstanding VAT credits were refunded to medium and large enterprises significantly ahead of schedule, thus ensuring the majority of refunds was completed in the first half of the year.

We adopted tax and fee reduction policies, which included temporarily waiving VAT for small-scale taxpayers, expanding the scope of reductions and exemptions for “six taxes and two surcharges,”\* temporarily postponing the payment of social insurance premiums, and postponing the payment of a portion of administrative charges and guarantee funds. We carried out initiatives to end unjustified charges levied on businesses and cracked down on tax evasion and tax fraud in accordance with the law.

The sum of tax and fee reductions, VAT credit refunds, and postponed tax and fee payments introduced in 2022 exceeded 4.2 trillion yuan. This included VAT credit refunds to taxpayers’ accounts totaling 2.46 trillion yuan, more than 3.8 times the amount refunded in 2021; tax and fee reductions exceeding 1 trillion yuan, consisting of more than 800 billion yuan in tax cuts and more than 200 billion yuan in fee reductions; and postponed tax and fee payments of over 750 billion

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\* This refers to resource tax, urban construction and maintenance tax, property tax, urban land-use tax, stamp duty (excluding stamp duty on securities transactions), tax on farmland used for nonagricultural purposes, education surcharges, and local education surcharges.

yuan.

*Providing support to stabilize investment and boost consumption*

In the fourth quarter of 2021, 1.46 trillion yuan in local government special-purpose bonds for 2022 was approved ahead of time according to law. By the end of March 2022, a total of 3.45 trillion yuan of special-purpose bonds in project funding had been fully approved. By the end of June, local governments had basically finished issuing these bonds. A carryover quota of 502.9 billion yuan in local government special debt was also put to good use in accordance with the law, and the issuance of relevant bonds was generally completed.

We released central budgetary investment at an accelerated pace, with more investment going to key areas such as food and energy. We provided policy support to subsidize interest payments on equity investments of policy-backed and development-oriented financial instruments and on loans for upgrading and renovating facilities in manufacturing, the service sector, and social services. We temporarily reduced purchase tax for certain passenger vehicles, continued to implement the policy of exempting purchase tax on new energy vehicles, and waived vehicle and vessel tax on new energy vehicles.

▪ **We strengthened funding guarantees for epidemic prevention and control to effectively coordinate epidemic prevention and control with economic and social development.**

*Giving full support for epidemic prevention and control*

The central government promptly allocated subsidies to support local governments in effectively addressing local outbreaks and resolving epidemic-induced difficulties in people's daily lives. We supported border areas in more effectively responding to Covid-19 and ensuring stability. We saw that the epidemic control funding needs of customs and immigration service agencies were met. We worked to support Covid-19 vaccination by providing a 30% subsidy for Covid-19 vaccine and inoculation fees covered by medical insurance funds, with the central government delivering 30%, 40%, and 50% subsidies to the eastern, central, and western regions respectively. We made every effort to guarantee necessary spending on patient treatment and other epidemic control efforts, providing eligible frontline medical workers and epidemic prevention workers

with temporary work subsidies of 200 yuan and 300 yuan respectively per person per day.

*Giving stronger support to specific industries and disadvantaged groups*

We waived VAT for public transportation and express delivery services, temporarily postponed the payment of social security premiums by qualified micro, small, and medium enterprises (MSMEs) as well as 22 distressed sectors, including catering, retail, and tourism, further extended the tax payment suspension for the manufacturing sector, and sped up export rebates, thereby helping market entities get through this challenging time. We intensified support for small and medium-sized enterprises (SMEs) through government procurement. The volume of re-guarantee business conducted through the National Financing Guarantee Fund increased by over 1 trillion yuan. We continued with the policy of reducing premiums for unemployment insurance and workers' compensation. The ceiling for unemployment insurance premium refund rates was raised from 60% to 90% for MSMEs and from 30% to 50% for large enterprises to help them maintain stable employment. We introduced policies such as one-off subsidies for enterprises that provide work opportunities as a substitute for vocational training and that hire unemployed college graduates, and supported key groups such as college graduates and rural migrant workers in seeking employment and starting businesses. We provided timely assistance to unemployed people, people who were eligible for subsistence allowances, as well as those in temporary difficulty, ensuring that everyone in need received the benefits and assistance they were entitled to.

▪ **We strengthened funding and policy support to ensure stable fiscal operations at the primary level.**

*The central government taking the lead in cutting expenditures and channeling more financial resources to lower-level governments*

In compliance with the requirement for Party and government offices to tighten their belts, central departments cut expenditures by 3.5% in order to provide greater financial support to local governments. Central government transfer payments to local governments last year came to 9.71 trillion yuan, an increase of 1.42 trillion yuan or 17.1% over the previous year, tilting toward

underdeveloped areas and areas in need. This provided robust support for local governments, especially those of counties and districts, in fully implementing tax rebate policies and tax and fee reduction policies and guaranteeing the three priorities (people's basic wellbeing, payment of salaries, and normal government functioning). Meanwhile, we kept a close watch on local fiscal operations, strengthened category-based management of key counties and districts, and held relevant provinces and municipalities to account by urging them to promptly discover and address risks of failure to guarantee the three priorities at the primary level.

*Expanding the scope of application for directly allocated funds to more effectively inject them into county and district governments*

We worked to directly allocate funds closely related to the operations of county and district governments. Last year, directly allocated funds amounted to 4.1 trillion yuan, accounting for more than 40% of all central government transfer payments to local governments. The central government refined relevant filing mechanisms, strengthened cooperation with auditing departments and competent authorities, and established a system for overseeing the use of funds on a per-category basis, so as to guard against a one-size-fits-all approach. As a result, funds were allocated at a fast pace, leading to positive effects.

*Combining supervision with support to help local governments forestall and defuse risks*

The central government made regions with high debt risks, fragile treasury balances, and inadequate financial resources the focus of monitoring, and provided timely warnings and notice to local governments about hidden risks. We strengthened accountability of localities and departments, advanced the building of long-term mechanisms for forestalling and defusing hidden local government debt risks, conducted trials for zero hidden debts in Beijing, Shanghai, and Guangdong, and publicized representative cases where officials were held to account for hidden debts. We guided provincial governments in strengthening coordinated planning for financial resources, so that they provided support to alleviate principal and interest repayment pressure on high-risk cities and counties. On the basis of strengthening review of assets and capital verification and

accountability enforcement, we made prudent advances in using special-purpose bonds to replenish the capital of small and medium-sized banks. We introduced temporary tax relief policies and supported the timely delivery of housing projects to meet people's needs and ensure social stability.

▪ **We remained committed to innovation-driven development and made industrial and supply chains stable.**

*Working to enhance the capacity for scientific and technological innovation*

In 2022, the central government increased spending on basic research in its general public budget by 13.5%. We developed a plan for providing financial support to national laboratories and supported the building of the second batch of national laboratories. We spared no effort to ensure the necessary funds for research on core technologies in key fields and innovations in defense-related science and technology. We promoted accelerated implementation of major science and technology projects such as programs for bio-breeding technology in agriculture. We reformed and improved the mechanisms for central government expenditures on civil technologies, adjusted and optimized project expenditures, and tightened management of basic expenditures in line with staffing levels and spending standards. We refined the policy for supporting innovation through government procurement.

*Energizing and unleashing the creativity of enterprises*

We granted tax breaks to enterprises for basic research and equipment purchases, raised the rate of extra tax deductions on R&D costs for sci-tech SMEs to 100%, and temporarily expanded this policy to cover all eligible industries. We promoted the development of SMEs that apply special, sophisticated techniques to produce unique and novel products, and extended support for more than 540 national-level "little giant" enterprises. We backed trials for digital transformation of SMEs, selecting 98 public service platforms to facilitate digitalization of over 2,000 pilot enterprises.

*Working to boost the resilience of China's industrial and supply chains*

Making good use of special funds for rebuilding industrial foundations and boosting high-quality development of the manufacturing sector, we promoted efforts to tackle a number of blockages and disruptions in key industrial chains. In

order to keep the supply and prices of important energy and resources stable, we allocated renewable energy subsidies in advance, injected funds into central government power plants, issued one-off awards and subsidies to key regions and enterprises with regard to the supply of winter heating and energy, and put into effect an interim zero import tariff on coal. We increased capital injections into Air China Limited, China Eastern Airlines, China Southern Airlines, and Capital Airports Holdings Limited, provided temporary subsidies for domestic passenger flights, and supported a number of national comprehensive freight hubs in shoring up operation chains in order to maintain smooth transportation and logistics.

▪ **We worked to meet basic needs and effectively ensured and improved public wellbeing.**

*Promoting the high-quality development of education*

We worked to address weak links and boost capacity in compulsory education and continued to improve basic conditions in schools. We guided local governments in increasing public-benefit preschool education resources through multiple channels to improve the quality of preschool education. We raised appropriations per student for vocational schools and promoted deeper integration between industry and vocational education and cooperation between schools and businesses. We improved the budgetary appropriation system for institutions of higher learning directly under the central government, raised appropriations per student for schools of science, engineering, agriculture, and medicine, and tilted more higher education spending toward the cultivation of high-level talent and urgently needed professionals. We introduced a temporary policy to exempt college graduates in financial difficulty from paying interest on national education assistance loans and allow them to defer principal repayments on such loans, benefiting more than 4 million students. Around 150 million students nationwide received assistance through student assistance policies.

*Improving the healthcare system*

Government subsidies for basic medical insurance for rural and non-working urban residents were increased to 610 yuan per person, and government subsidies for basic public health services were raised to 84 yuan per person. We worked to enhance the capacity of public hospitals, primary-level healthcare institutions, and



disease prevention and control agencies and strengthen training for healthcare personnel. We worked to make bulk government purchases of medicines and high-value medical consumables a regular practice and improved the measures for on-the-spot settlement of out-of-province medical expenses. We implemented demonstration projects for the reform and high-quality development of public hospitals.

*Improving social security services*

We made steady progress in bringing basic old-age insurance funds for enterprise employees under unified national management and established a mechanism for sharing spending responsibilities between central and local governments. Under this policy, about 244 billion yuan was collected last year to help localities in meeting shortfalls of the year. Basic pension benefits for retirees were increased by 4%, and minimum basic pension benefits for rural and non-working urban residents were increased to 98 yuan per person per month. We established a private pension system and introduced tax reductions for private pensions. We continued to increase subsidies and living allowances for entitled groups. We supported construction of government-subsidized rental housing and continued with the renovation of old residential communities in cities, the rebuilding of rundown urban areas, and the upgrading of dilapidated rural housing.

*Working to improve the modern public cultural services system*

We advanced the integrated development of urban and rural public cultural services, refined the mechanism for supporting free admission at museums and memorial halls, and strived to provide better public cultural services. We promoted the full integration of media and supported the production of fine artistic works. We worked to strengthen the protection of cultural relics and ancient books and the preservation of cultural heritage, and supported the development of high-quality national cultural parks. We supported Beijing's successful hosting of the 2022 Winter Olympics and Paralympics, at which Chinese athletes achieved their best ever results at a Winter Olympics.

*Strengthening support for workplace safety and emergency and disaster response*

To ensure workplace safety, we established an assistance fund for accident

prevention and emergency response and aid. We strengthened funding support for emergency response, increased reserves of disaster relief materials, and ensured immediate approval and allocation of funds to support local governments' efforts in disaster prevention, relief, and reconstruction.

▪ **We promoted rural revitalization and worked to ensure more balanced and coordinated development between regions.**

*Helping ensure a good harvest*

We backed the development of an additional 6.67 million hectares of high-standard farmland and the application of conservation tilling techniques on 5.33 million hectares of chernozem soil cropland. In response to the rising prices of agricultural supplies, we provided 40 billion yuan in subsidies for grain producers, which were disbursed in three payments. We supported the raising of minimum purchase prices for rice and wheat as appropriate, implemented subsidies for corn-soybean strip intercropping, and increased rewards for major grain-producing counties. We thus ensured farmers were motivated to grow grains and local governments were motivated to keep a focus on grain production. We supported trials for the integrated research, production, and application of agricultural machinery, implemented the policy of piloting subsidies for the purchase and use of such machinery, and promoted the use of BeiDou-based intelligent terminals in agricultural production. We worked to see that full-cost insurance and income insurance for the three main grain crops of rice, wheat, and corn covered all major grain-producing counties in the 13 major grain-producing provinces. We introduced subsidies for the mixed use of agricultural chemicals against crop diseases and pests, dry and hot wind, and premature aging, so as to aid the healthy growth of wheat in summer. We allocated 10 billion yuan from central government reserve funds for drought and disaster response to ensure a good autumn harvest. As a result, grain output reached 685 million metric tons, staying above 650 million metric tons for the eighth consecutive year.

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

We continued to increase the central government follow-up rural revitalization assistance fund, channeling greater support to the development of industries that

unite and lead farmers in realizing prosperity in order to ensure employment and sustained income growth for those who have escaped poverty. We facilitated follow-up support for people who have been relocated from inhospitable areas and offered regular assistance to low-income rural residents. Harnessing industries to drive the development of rural areas, we supported the development of 50 national modern agriculture industrial parks, 40 clusters of leading agro-industries with unique advantages, and 200 towns with unique agro-industrial strengths. We supported more than 20,000 villages in developing and growing their collective economies and 400 villages in building themselves into beautiful villages with rich CPC heritage. We worked to boost the coverage, pace, and integration of comprehensive rural reform trials, launching new trials and experiments in 13 localities.

*Promoting coordinated regional development*

We implemented fiscal and tax policies supporting major regional strategies for the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integrated development of the Yangtze River Delta. We also introduced policies and plans to provide support for the Yellow River basin in promoting ecological conservation and high-quality development, for Guizhou Province in working faster to improve its fiscal governance capacity and exploring new ways to achieve high-quality development, for Shandong Province in replacing old drivers of growth and achieving green, low-carbon, and high-quality development, and for Shenzhen in exploring innovations to its fiscal policy system and management institutions. Transfer payments to old revolutionary base areas, areas with large ethnic minority populations, border areas, and less-developed areas increased by 8.2%. We advanced the development of Hainan Free Trade Port, expanding the zero-tariff list and opening more offshore duty-free shops.

▪ **We promoted the green and low-carbon transition and continued to improve the environment.**

We actively promoted the development of the national park-based nature reserve system, and introduced guidelines on the implementation of major fiscal

policies for promoting the development of national parks. We provided support to an additional nine projects for the integrated conservation and restoration of mountain, water, forest, farmland, lake, grassland, and desert ecosystems and expanded support to cover key ecological areas, such as the Qinling Mountains, Erhai Lake, Dongting Lake, Jingjiang River, Lijiang River, and the Three Gorges Reservoir region. Based on competitive appraisal, we provided support to 11 demonstration projects for ecological restoration in abandoned mining areas, 20 afforestation trial and demonstration projects, and 16 projects for the protection and improvement of marine ecosystems. To further advance the battle against pollution, we granted subsidies to an additional 25 cities in northern China for adopting clean energy sources for winter heating, worked to prevent and control water pollution with the emphasis on the Yangtze and Yellow river basins, strengthened performance assessments of pollution control efforts, and provided rewards to regions that achieved notable results in pollution control. We introduced guidelines on fiscal support for realizing peak carbon emissions and carbon neutrality and improved the system of fiscal and tax policies to promote efficient use of resources and green and low-carbon development.

▪ **We deepened fiscal and tax system reform and strengthened fiscal management oversight.**

We introduced guidelines on advancing fiscal system reform at the provincial level and below. Childcare expenses for children under the age of three were included in special additional deductions for individual income tax, and excise tax was levied on electronic cigarettes. The draft law on value-added tax was submitted to the NPC Standing Committee for its first reading, and major progress was made in legislation related to tariffs, certified public accountants, accounting, and government procurement. We introduced measures for assessing the budget management performance of central government departments and the fiscal management performance of local governments, and implemented measures for performance-based management of the social insurance funds budget. These steps have helped increase the transparency of performance-related information. The Fiscal General Accounting System was introduced. We finished the compilation of the central government's comprehensive financial report for 2021 and filed it with

the NPC Standing Committee. Expenditures on non-obligatory and non-key items were cut significantly, while spending on official overseas visits, official vehicles, and official hospitality was under strict control. We steadily carried out a dedicated campaign to put local government finance in good order and addressed a number of violations of financial discipline. We continued with dedicated efforts to address four types of violations of laws and regulations including practicing accounting under the certified accountant credentials of others and selling audit reports online. We intensified efforts to address the issue of bookkeeping agencies operating without a license as well as the problem of false promises. A unified platform for oversight of the operations of certified accountants came on stream. We introduced guidelines on putting the state assets of administrative departments and public institutions to good use; submitted a report on the management of all state-owned assets in 2021 to the NPC Standing Committee; and finished a report on the management of state-owned assets during the first five-year period following the establishment of the system for reporting on management of state-owned assets.

Looking back at the past five years, we have experienced an extraordinary journey. Under the strong leadership of the CPC Central Committee and the State Council, finance departments adhered to the general principle of pursuing progress while ensuring stability, fully and faithfully implemented the new development philosophy on all fronts, continued to adopt a proactive fiscal policy, and worked hard to promote high-quality development and actively foster a new pattern of development. Finance, as a foundation and pillar of the country's governance, has effectively served and supported the Party and the government in securing impressive achievements.

**First, fiscal strength continued to increase.** Revenue in the national general public budget increased from 17.26 trillion yuan in 2017 to 20.37 trillion yuan in 2022, an average annual growth rate of 3.4%. Expenditures in the national general public budget increased from 20.31 trillion yuan in 2017 to 26.06 trillion yuan in 2022, registering average annual growth of 5.1%. Continuous improvements were made to the spending structure to provide strong financial support for the cause of the Party and the country.

**Second, fiscal macro-regulation was steadily improved.** We strengthened cross- and counter-cyclical adjustments as well as targeted, well-timed, and precision regulation. Most notably, in 2020, we adopted new approaches such as Covid-19 bonds in response to the epidemic and stimulated economic recovery with an extraordinary level of policy support. Combining institutional arrangements with temporary measures, we implemented large-scale tax and fee cuts to help further lower the overall tax incidence. We set up a regular mechanism for the direct allocation of government funds and worked to ensure that these funds went precisely where intended to directly benefit businesses and people in as quickly as 30 days on average. More financial support was provided to local governments, with central government transfer payments to them totaling 40.66 trillion yuan over the past five years. This represents an average annual increase of 8.4%, 4.8 percentage points higher than the growth of central government expenditures. The proportion of transfer payments to local governments in expenditures of the central general public budget rose to about 70%.

**Third, fiscal support became more targeted and effective.** Governments at all levels allocated more funding for poverty alleviation to ensure victory in the battle against poverty as scheduled and promote alignment of poverty alleviation achievements with rural revitalization. Over the past five years, the government kept its spending on education above 4% of GDP, totaling 21 trillion yuan, to realize a significant increase in the amount of fiscal support per student. Based on reforms to improve the input and management of government funds for science and technology, the central government boosted expenditures on basic research by 52.6% and steadily ramped up support to promote the country's strength in strategic science and technology and breakthroughs in core technologies in key fields. We used market-based mechanisms to encourage enterprises to engage in innovation, offering them more than 1 trillion yuan per year in tax incentives. A central regulation system for enterprise employees' basic old-age insurance funds was established, with the share of centrally-regulated funds rising to 4.5%. On this basis, unified national management was implemented for these funds. Basic pensions of retirees and minimum basic pension benefits for rural and non-working urban residents were raised. State-owned capital was allocated to

supplement social security funds, and social security fund reserves increased from 1.8 trillion yuan to over 2.5 trillion yuan. Government subsidies for basic medical insurance for rural and non-working urban residents increased from 450 yuan to 610 yuan per person per year, and government subsidies for basic public health services increased from 50 yuan to 84 yuan per person per year. Subsistence allowances as well as subsidies and living allowances for entitled groups were raised each year. Compared to the year-end figures for 2017, average subsistence allowances for urban and rural residents had increased by 39.2% and 62.4% respectively by the end of 2022. Regular benefits for the families of martyrs increased at an average rate of about 10% per person each year. Working to intensify pollution prevention and improve the compensation system for ecological conservation, funds for air, water, and soil pollution prevention and control increased at an average annual rate of 12.4% and transfer payments to key ecological functional zones grew at an average annual rate of 9.6% over these five years. We established a sound mechanism for government investment in agriculture, and improved the systems of agricultural subsidies and policy-based agricultural insurance, so as to ensure China's food security and promote rural development and growth in rural incomes.

**Fourth, fiscal and tax reforms were deepened.** We revised the implementation regulations for the Budget Law, and issued and implemented the guidelines on further deepening reform of the budget management system. Reform plans for dividing fiscal powers and expenditure responsibilities between the central and local governments in basic public services, science and technology, education, and other areas were introduced, and reform of fiscal systems below the provincial level was steadily advanced. We refined the system of transfer payments, identified and improved transfer payments for shared fiscal powers, and more clearly defined the functions of different types of transfer payments. The VAT reform was deepened and the system for refunding credits was gradually improved. An individual income tax system based on adjusted gross income and specific income types was established. Excise tax and corporate income tax systems were improved, and reform of the resource and environment tax systems was carried out.

**Fifth, fiscal management was gradually enhanced.** To improve the management system for local government debt, we set up a regular mechanism for cross-departmental coordination on oversight and prudently advanced trials for zero hidden debt in some localities where conditions permitted. With a commitment to preventing any increase in new hidden debts and to addressing all existing hidden debts, we carried out stringent oversight and implemented strict accountability to mitigate the risks posed by hidden local government debt and bring them under better control. We moved faster to create a comprehensive system for performance-based budget management, covering the whole budgetary process and all sectors, projects, and budget types. Further progress was made in building a modern treasury management system, and integrated budget management was extensively implemented. Reforms in the government procurement system and in the practices for government procurement of services were deepened. Accounting oversight and internal finance department controls were tightened. Finance departments performed their duties as investors of state-owned financial capital. The reporting system for state-owned asset management was implemented across the board based on a general inventory of the four classes of state-owned assets, namely assets held by financial enterprises, non-financial enterprises, and government offices and public institutions, and natural resource assets.

**Sixth, finances remained sustainable.** We have always remained committed to hard work and frugality and made every effort while working within our means. When formulating policies, planning expenditures, and taking on debt, we have considered both what is needed and what is possible, balanced both current and long-term benefits, and maintained sufficient momentum without mortgaging our future. Spending on official overseas visits, official vehicles, and official hospitality was cut significantly. We set the budget deficit at reasonable levels, keeping the overall deficit-to-GDP ratio over the past five years under 3% and China's government debt ratio at about 50%, which is significantly below that of other major economies. We have thus left policy space for coping with new challenges in the coming years.

Over the past five years, despite accelerating changes on the global landscape,



the impact of the Covid-19 epidemic, the downward pressure on the domestic economy, and other tests, our public finances operated smoothly overall, budget execution was satisfactory, and our proactive fiscal policy created powerful effects, enabling us to secure long-term economic stability for the country.

These achievements are fundamentally attributable to the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core and to the sound guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. They are the result of the strict review and oversight of the NPC, the suggestions and proposals offered by the CPPCC National Committee, and the concerted efforts of all local authorities, all government departments, and people of all our nation's ethnic groups.

While affirming the achievements of fiscal reform and development, we also see that there are difficulties and problems in budget execution and public finance work that have yet to be resolved. They are mainly as follows:

- As the foundations for China's economic recovery remain unstable, a portion of local governments, especially those at the primary level, are facing relatively large gaps between revenue and expenditure.
- Some government departments and institutions use their authority or industrial resources to levy unjustified charges and some businesses engage in illegal activities such as fraudulently claiming VAT credit refunds.
- Government funds need to be used in a better way, and better efforts should be made to refine policies on expenditures and strengthen performance-based management.
- Some localities have failed to realize the full potential of projects financed by special-purpose bonds as a result of insufficient planning, inadequate coordination between bond issuances and preparations, and a lack of regulation at all stages from beginning to end, with funds left to sit idle and construction on projects not getting off the ground.
- The problems of new hidden debt and fraud related to the clearing of debt continue to arise from time to time. Some local state-owned enterprises and public institutions are becoming platforms for local financing. Some city and county governments lack the capacity to meet debt obligations and face

relatively high debt risks.

- Some local governments and government departments fail to strictly adhere to belt-tightening requirements; some local governments construct government buildings in violation of regulations by exploiting loopholes and circumventing approval procedures; some primary-level officials embezzle and appropriate funds earmarked for ensuring people's wellbeing; and some intermediary institutions fail to play their roles in auditing and appraisal. We still have a long way to go to tighten up fiscal discipline and put finance in good order.

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

## **II. Draft Central and Local Budgets for 2023**

The year 2023 is the first year for fully implementing the guiding principles from the 20th CPC National Congress. This makes our budget compilation 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, apply systems thinking, and uphold fundamental principles and break new ground. We will work harder to coordinate Covid-19 response with economic and social development, both effectively upgrade and appropriately expand economic output, both pursue supply-side structural reform and expand domestic demand, coordinate economic policy with other policies, ensure better interplay between domestic and international economic flows, and keep in mind both the present and the future. Continuing to pursue progress while putting stability first, and on the basis of ensuring policy continuity and stability, we will boost fiscal support for economic recovery and development as necessary, create greater synergy among macroeconomic policies, and strive to fulfill the main targets for economic and social development this year.

### *1. Analysis on the prospects for fiscal revenue and expenditure in 2023*

At present and for some time to come, the Chinese economy will continue to demonstrate strong resilience, potential, and dynamism, and the fundamentals underpinning its long-term growth will remain unchanged. At the same time,

instabilities, uncertainties, and unexpected developments will become more regular in the external environment. Shrinking domestic demand, supply shocks, and weakened expectations will continue to put us under considerable pressure, uncertainties and destabilizing factors in the economy will increase, and gaps between fiscal revenue and expenditure will continue to loom large.

**From a fiscal revenue perspective,** the Chinese economy is expected to pick up in 2023, while the base for fiscal revenue remains relatively low due to the implementation of large-scale VAT credit refund policy last year. This provides a foundation for a recovery in fiscal revenue this year. At the same time, however, as the foundation for economic recovery is not yet solid enough, considerable uncertainty remains for fiscal revenue. The scale of revenue collected will be also affected by further steps to introduce necessary supporting tax and fee policies.

**From a fiscal expenditure perspective,** we have obligatory commitments to spending increases for key items such as technological advancement, rural revitalization, and environmental protection; we need to continue strengthening support to address areas of weakness in ensuring basic public wellbeing, including elderly care, education, and healthcare; and we must maintain the necessary level of transfer payments to support coordinated regional development and increase the ability of primary-level governments to ensure the three priorities.

**On the whole,** the prospects for fiscal revenue and expenditure in 2023 remain quite grave. We must therefore approach the situation from a comprehensive, dialectic, and long-term perspective, identifying general trends and building confidence in development, while at the same time keeping a clear head and preparing ourselves for worst-case scenarios. In doing so, we will be equipped with the conditions, ability, and confidence necessary to squarely meet all risks and challenges.

## *2. Overall requirements for the preparation of the 2023 budgets and public finance work*

In order to ensure that preparation of the 2023 budgets 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 from the 20th CPC National Congress, act in line with the plans

made at the Central Economic Work Conference, and make solid progress in promoting Chinese modernization

- Adhere to the general principle of pursuing progress while ensuring stability, fully and faithfully apply the new development philosophy on all fronts, move faster to foster a new pattern of development, and pursue high-quality development
- Keep in mind both domestic and international imperatives, better coordinate Covid-19 response with economic and social development, and both pursue development and ensure security
- Enhance the intensity and effectiveness of our proactive fiscal policy with a greater focus on precision and sustainability
- Improve preferential tax and fee policies, strengthen coordination of fiscal resources, and maintain the necessary level of spending
- Make every effort to optimize the spending structure, strengthen fiscal guarantees for major national strategic tasks, enforce the requirement for Party and government organs to tighten their belts, provide solid guarantees for the three priorities at the primary level, and allocate fiscal resources more efficiently
- Step up assessment of fiscal capacity to ensure sustainability and keep the debt risks of local governments under control
- Improve the modern budget system, the tax structure, and the system of government transfer payments, advance reform of the fiscal and tax systems, and enhance the effectiveness of macro regulation through fiscal policy
- Strive to facilitate overall economic recovery, both effectively upgrade and appropriately expand economic output, continue to improve public wellbeing, ensure social stability, and provide robust support to set the stage for building a modern socialist country in all respects

We will enhance the intensity and effectiveness of our proactive fiscal policy. We will make further efforts to increase government spending as appropriate and improve its structure, and focus on coordinating fiscal policy with monetary, industrial, scientific and technological, and social policies, so that our proactive fiscal policy will exert its role in a more direct and effective way.

**With regard to enhancing policy intensity,** we will strengthen coordinated planning for government funds and better combine the use of deficits, special bonds, interest subsidies, and other instruments to expand the scale and maintain the appropriate intensity of government spending. Expenditure in the national general public budget is projected to be 27.513 trillion yuan, an increase of 5.6%.

**First, the deficit-to-GDP ratio will be appropriately increased.** We have set the deficit-to-GDP ratio for the year at 3%, which is 0.2 percentage points higher than last year. The government deficit is projected to be 3.88 trillion yuan, an increase of 510 billion yuan over 2022. This figure consists of a central government deficit of 3.16 trillion yuan, an increase of 510 billion yuan, and a local government deficit of 720 billion yuan, maintaining the same level as last year.

**Second, the scale of local government special-purpose bonds will be appropriately expanded.** This year, a ceiling of 3.8 trillion yuan will be set on new local government special debts, an increase of 150 billion yuan over last year. We will appropriately expand the list of areas to which funds from bonds sales can be channeled as well as the scope for using such funds as project capital. We will support local governments in meeting regular financing needs.

**Third, transfer payments from the central government to local governments will be scaled up.** Transfer payments from the central government to local governments will reach 10.0625 trillion yuan, an increase of 3.6% (or 7.9% after deducting one-time special transfer payments to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects). Of this amount, general transfer payments will total 8.712571 trillion yuan, up 7.6%; special transfer payments (including central government budgetary investment) will come to 849.929 billion yuan, up 11.6%; and 500 billion yuan in one-time special transfer payments will be used to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects.

**With regard to enhancing policy effectiveness,** we will deepen reform and strengthen management to allocate fiscal resources, implement fiscal policy, and use funds more effectively.

**First, we will continue to improve the structure of government spending.** In

order to promote high-quality development, we will step up inputs into weak links and key sectors in economic and social development, and provide support for key areas including scientific and technological research, rural revitalization, major regional strategies, education, basic public wellbeing, and green development. The central government will prioritize expenditures on obligatory and key items such as those on central reserves and on issuance and interest payments of central government bonds. Central department spending will remain largely unchanged in line with the strict spending controls of recent years.

**Second, we will make preferential tax and fee policies more precise and targeted.** We will review and analyze all existing policies and measures for tax and fee cuts, tax rebates, and the postponing of tax payments, and better align policies to be introduced this year with those from last year while taking into account the actual needs of enterprises under current economic conditions, so as to avoid discontinuities or sharp turns in policy by extending, improving, adjusting, and reinforcing existing policies on a category-by-category basis. Combining temporary measures with institutional arrangements, we will put emphasis on supporting the manufacturing sector, MSMEs, self-employed individuals, and industries facing special difficulties, so as to promote the transformation and upgrading of enterprises and enhance their capacity for innovation.

**Third, we will ensure funds are used more effectively.** We will strengthen performance-based budgetary management, be more results-oriented in our work, focus more on cost effectiveness, and make accountability more binding, so as to link spending with performance and performance with accountability. We will further improve the mechanism for the direct allocation of government funds and intensify the monitoring of budget execution, thereby ensuring that every cent is used where it is needed most and to the best effect.

**At the same time, we must enhance fiscal sustainability.** Balancing short-term considerations with long-term ones, we must make every effort while working within our means and ensure arrangements for revenue and expenditure policies are reasonable. Before introducing major policies to increase government spending and implementing major government investment projects, we must assess our fiscal capacity in accordance with regulations, ensuring that we do not make

promises beyond our means or provide excessive support. We will strictly enforce the requirement for Party and government organs to tighten their belts and practice economy in all activities. We will make budgets more binding, strengthen oversight and inspection regarding the execution of financial and economic regulations, the implementation of major fiscal and tax policies, and the use of government funds, and further tighten up financial and economic discipline. We will work to forestall and defuse local government debt risks, and ensure steady operations in primary-level public finances. We will see that responsibilities are fulfilled by all stakeholders to ensure no systemic risks arise.

### *3. Main revenue and expenditure policies for 2023*

#### **1) Giving play to the role of public finance in stabilizing investment and promoting consumption in a bid to boost domestic demand**

*We will work to restore and expand consumption.* Giving priority to restoring and expanding consumption, we will enhance the roles of social security and transfer payments in regulating income distribution, and increase personal income through multiple channels, so as to unleash consumption potential. We will support major cities in strengthening the goods distribution and supply system to enhance their capacity for guaranteeing the supply of daily necessities. We will support more national comprehensive freight hubs in shoring up weak links to ensure smooth logistics. We will continue to support the development of county-level commercial systems and fully harness the consumption potential of county and township residents. Localities where conditions allow will be encouraged to provide subsidies and interest-subsidized loans for purchases of green and smart home appliances, green building materials, and energy-saving products.

*We will strengthen the role of government investment in guiding and stimulating nongovernmental investment across the board.* More government investment will be used to lay strong foundations, deliver long-term benefits, shore up weak spots, and adjust the economic structure. It will go toward supporting faster implementation of major projects outlined in the 14th Five-Year Plan and strengthening transport, energy, water conservancy, agriculture, and information infrastructure. We will make thorough preparations for projects funded by local government special-purpose bonds, expand the reserve of high-quality projects,

and use the funds in an appropriately concentrated manner, tilting them toward projects already under construction and new projects that are ready to get under way. We will lay emphasis on the performance of government investment, prevent the blind expansion of investment, and encourage more private investment in this regard. A total of 680 billion yuan will be earmarked for investment in the central government budget, an increase of 40 billion yuan over last year, in order to shore up weak spots in key areas. This allocation has been made in light of several factors, including the need to make up for shortfalls in central government funding for waterway development following the cancellation of port development fees. We will back a new group of demonstration cities in making systematic efforts to develop their respective jurisdictions into “sponge cities,” and we will work to accelerate urban renewal projects.

*We will support intensified efforts to stabilize foreign trade.* We will implement the Regional Comprehensive Economic Partnership and other free trade agreements, and step up efforts to publicize free trade agreements and guide local governments and enterprises in making full use of them. We will improve policies on tariffs, import taxation, and export tax rebates, optimize the use of special funds for supporting foreign trade, encourage cross-border e-commerce, overseas warehouses, and other new foreign trade models, and expand imports of advanced technologies, major equipment, and energy and resource products. We will carry out demonstrations for improving quality and performance in the area of foreign trade to promote stability and industrial upgrading in related sectors, and leverage the role of export in supporting the economy. To promote alignment with high-standard international economic and trade rules, we will support pilot free trade zones in carrying out reform and innovation. We will bolster financial support, gradually increase the scope of products subject to tariff exemptions, and step up stress tests, in an accelerated effort to develop the Hainan Free Trade Port.

## **2) Building our self-reliance and strength in science and technology and backing the modernization of the industrial system**

*We will invest more effectively in science and technology.* We will improve the mechanisms for managing government funds in line with the new system for mobilizing resources nationwide, and pool superior resources and strengths, in an



all-out effort to achieve breakthroughs in core technologies in key fields. We will improve the funding system for the National Natural Science Fund and carry out pilot programs for fostering basic research personnel. We will make funding available for the construction of every major project under the Sci-Tech Innovation 2030 Agenda as soon as it is ready to launch. We will improve the structure of science and technology expenditures and make overall plans for project funding to avoid redundant spending. We will work to further reform the mechanisms for allocating and using government research funds, and grant scientists a greater say when it comes to determining technological roadmaps and spending research funds. We will support the launch of the first international Big Science program initiated by China by looking into the establishment of funding management mechanisms well-suited to international Big Science programs and projects in a bid to strengthen international cooperation on science and technology.

*We will boost China's strength in strategic science and technology.* We will help better define the roles of national research institutes, advanced-level research universities, and leading sci-tech enterprises to improve their layout, and we will back the reform and development of research institutes at the central level. We will promote the development of national laboratories and reorganize key laboratories nationwide, so as to see a distinctively Chinese national laboratory system taking shape. We will provide support for the development of technological innovation centers, industrial innovation centers, and engineering research centers. We will give play to the principal role of enterprises in technological innovation by backing them to take the lead in more national scientific and technological endeavors. We will allocate 6.5 billion yuan for scientific and technological advancement at the local level under the guidance of central authorities, an increase of 2 billion yuan, thereby supporting the development of regional hubs for innovation. We will support universities, research institutes, and enterprises in fostering, recruiting, and making best use of talent in all sectors and step up efforts to build global hubs for talent. We will work to increase people's knowledge of science.

*We will facilitate the upgrading of the industrial structure.* We will allocate 13.3 billion yuan of special funds for rebuilding industrial foundations and boosting high-quality development of the manufacturing sector, a rise of 4.4 billion yuan, in

an effort to support the development of integrated circuits and other key sectors. We will implement policies on tax, government procurement, and insurance compensation for newly developed major technological equipment to support the transformation and upgrading of traditional industries and the development of strategic emerging industries such as next-generation information technology, high-end equipment, and new materials. To accelerate the industrial application of scientific and technological advances and patented technologies, we will improve the management and operation of national funds for steering the application of these advances, and support the development of a trading and service system for intellectual property rights. We will look into ways of supporting the development of “little giant” enterprises that apply special, sophisticated techniques to produce unique and novel products, and increase support for SMEs that engage in industrial chains of key strategic areas and in fundamental industrial sectors. We will continue to advance trials for digital transformation of SMEs. We will work to build our capacity for guaranteeing national strategic goods reserve and appropriately expand our reserve in this regard. We will extend the exemption of purchase tax on new-energy vehicles to popularize their use.

### **3) Further improving approaches to implementing policies to boost the vitality of enterprises of all types**

*We will improve preferential tax and fee policies.* In accordance with the principle of keeping the overall tax incidence stable, we will further improve supporting policies including tax and fee cuts, tax rebates, and the postponing of tax payments, so as to ease the difficulties of enterprises, ensure fiscal sustainability, and optimize the tax structure. We will lower the VAT rate for small-scale taxpayers to 1% on a temporary basis and continue to exempt VAT on small-scale taxpayers with monthly sales of less than 100,000 yuan. We will implement a policy on additional VAT deductions of 5% and 10% for the producer and consumer service industries, respectively. We will appropriately extend a portion of preferential tax policies including those for individual income. We will launch new tax and fee reduction policies targeted on areas such as scientific and technological innovation and key industrial chains according to actual conditions. We will allow, in accordance with the law, manufacturing MSMEs that have difficulty paying taxes on time to further

extend the tax deadline by an appropriate period, according to the extent of their difficulties. We will take prompt action to address pronounced problems pointed out by market entities, continue to rectify irregular charges on enterprises, and crack down on arbitrary charges, fines, and quotas.

*We will work unswervingly both to consolidate and develop the public sector and to encourage, support, and guide the healthy development of the non-public sector.* We will work faster to foster a world-class business environment that is market-oriented, law-based, and internationalized. We will optimize the structure of budgetary expenditures of state capital operations, support further reform of state-owned capital and state-owned enterprises, accelerate efforts to improve the layout of the state-owned sector and adjust its structure, and enhance the core competitiveness of SOEs. We will view all companies as equals in terms of financial subsidies, preferential tax and fee policies, and government procurement to support the development of private enterprises, MSMEs, and self-employed individuals. We will leverage the role of government financing guarantee institutions and continue the policy of providing rewards and subsidies to reduce financing guaranty fees for small and micro businesses, so as to offer larger volume of financing to more of these businesses.

#### **4) Better guaranteeing inputs for rural revitalization and promoting integrated urban-rural development and coordinated regional development**

*We will reinforce the foundations for food security on all fronts.* We will refine the mechanisms for ensuring the incomes of grain growers and for compensating major grain-producing areas, keep farmland fertility protection subsidies stable, and improve the policy on subsidizing corn and soybean producers. We will continue to increase the minimum purchase price for wheat, set appropriate minimum purchase prices for rice, and offer more rewards to major grain-producing counties. We will allocate 45.9 billion yuan in subsidies for agricultural insurance premiums to ensure that more grain growers are covered by full-cost insurance and income insurance for the three major grain crops of rice, wheat, and corn. With equal emphasis on construction and upgrading, we will continue to support the development of high-standard cropland. We will back the initiative for the revitalization of the seed industry and help enhance the scale and

strength of the national seed industry. We will continue to grant subsidies for the purchase and use of agricultural machinery and support the R&D and manufacture of Chinese-made large-scale, high-end, and smart agricultural machinery. We will encourage all localities to leverage various professional and market-based service providers to guide small-scale agricultural production onto the path of modern agricultural development. We will promote strip intercropping of soybeans and corn in a well-planned way, back initiatives to improve the quantity and quality of beef cattle and sheep raised for meat and to revitalize the dairy industry, implement policies for supporting fishery development, promote faster development of the tea-oil camellia industry, and support stable production and ensure the supply of important agricultural products.

*We will consolidate and build upon our achievements in poverty alleviation.* To continue expanding the central government follow-up rural revitalization assistance fund, we will allocate 175 billion yuan, an increase of 10 billion yuan, with more funding tilted toward areas with limited foundations for rural revitalization. In an effort to enable areas that have shaken off the yoke of poverty to rely more on development to build on the success of poverty alleviation, the central government will, as a priority, channel more funds toward industries that can help rural households increase their incomes. We will manage to use over 60% of the follow-up rural revitalization assistance fund to upgrade such industries. We will ensure the implementation of policies supporting areas such as education, science and technology, and culture, and help areas and people that have just shaken off poverty build their own momentum for growth.

*We will build a beautiful and harmonious countryside that is desirable to live and work in.* We will coordinate the advancement of projects for integrated agro-industrial development, support localities in developing national modern agriculture industrial parks, towns with particular agro-industrial strengths, and clusters of leading agro-industries with unique advantages, and facilitate the development of new rural collective economies, thereby promoting high-quality development of rural industries through a multi-dimensional approach. With the focus on key areas and new types of agribusiness, we will advance the construction of cold-storage and preservation facilities in agricultural production zones. We will

prioritize key tasks including reinforcement of dilapidated small reservoirs and harnessing of small and medium rivers and support the expansion of water conservancy investment and water conservancy infrastructure construction. We will improve government reward and subsidy policies regarding the development of public-interest programs in rural areas and continue trials for comprehensive rural reform. We will ensure village-level organizations have adequate funding to maintain normal functions.

*We will promote coordinated development of regions and new urbanization.* Using a combination of transfer payments and tax policies, we will facilitate efforts to implement major strategies for the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, integrated development in the Yangtze River Delta, and ecological conservation and high-quality development in the Yellow River basin. We will channel greater support to old revolutionary base areas, areas with large ethnic minority populations, and border areas, with the central government allocating 177 billion yuan of transfer payments to such areas, an increase of 8%. The central government will keep in place the award fund for supporting the process of granting urban residency to people who move to urban areas from rural areas, so that the places they live in will provide them with better basic public services.

**5) Improving fiscal and tax policies supporting green and low-carbon development, and promoting concerted efforts to cut carbon emissions, reduce pollution, expand green development, and pursue economic growth**

*We will support the faster transition to a model of green development.* We will implement the guidelines on fiscal support for realizing peak carbon emissions and carbon neutrality and urge localities to improve their fiscal policies and measures in support of this endeavor. We will step up efforts to achieve major breakthroughs in green and low-carbon technologies and expand their application to facilitate the green and low-carbon transformation in key sectors such as industry and transportation. We will back the green development of agriculture, encouraging comprehensive utilization of crop straw and rational use and recycling of agricultural plastic sheeting. We will expand the scope of green

government procurement and scale up the purchase of relevant products. We will provide support for the development of renewable energy to further improve China's energy mix. The role of the China Clean Development Mechanism Fund will be given full rein to bring more resources to bear in boosting green and low-carbon development.

*We will work harder to keep our skies blue, waters clear, and lands clean.* The central government will allocate 33 billion yuan for the prevention and control of air pollution, with priority given to encouraging the use of clean energy sources for winter heating in northern China. The central government will allocate 25.7 billion yuan for concerted efforts to improve water resources and aquatic environments and ecosystems, an increase of 2 billion yuan. These funds will mainly be used for ecological conservation and restoration in the Yangtze River basin, ecological conservation and improvement of the Yellow River basin, comprehensive environmental improvement in key sea areas, and trials to clean up black, malodorous water bodies in rural areas. We will make full use of results from detailed surveys into the state of soil pollution, and continue support for the prevention and control of soil contamination at the source with a focus on addressing the longstanding issue of mine tailing sites involving heavy metals.

*We will enhance diversity, stability, and sustainability in our ecosystems.* We will implement the compensation system for ecological conservation and guide localities in redoubling their efforts in ecological conservation. The central government will allocate 17.2 billion yuan for the protection, restoration, and improvement of key ecosystems, with a view to accelerating the implementation of projects for the integrated conservation and restoration of mountain, water, forest, farmland, grassland, and desert ecosystems and demonstration projects for ecological restoration in abandoned mining areas. We will facilitate faster development of national parks in accordance with both the requirements for spatial planning and standards for the establishment of national parks, in an effort to build up biodiversity protection networks. We will maintain support for afforestation programs and initiatives to protect and restore forest, grassland, wetland, marine, and other ecosystems.

**6) Strengthening basic public services and taking solid steps to safeguard**

## **people's wellbeing**

*We will ensure the thorough and effective implementation of the employment-first policy.* The central government will allocate 66.8 billion yuan in employment subsidies, an increase of 5 billion yuan, to help local governments implement policies for supporting employment and entrepreneurship. We will improve policies for lightening enterprises' burdens and helping them keep their payrolls stable and create more jobs. We will give higher priority to employment of young people, especially college graduates, and support employment and business start-ups among key groups like rural migrant workers, demobilized military personnel, and people who have emerged from poverty. We will do more to protect the rights and interests of those in flexible employment and new forms of employment. We will continue to support large-scale vocational skills training to alleviate structural problems related to employment.

*We will promote the development of a high-quality education system.* We will continue to scale up funding and improve the mix of spending to support the development of education that meets people's needs. We will increase investment in compulsory education, work faster to shore up weak areas, and promote high-quality, balanced development and urban-rural integration in compulsory education. The central government will allocate 25 billion yuan for the development of preschool education, an increase of 2 billion yuan, to help expand the supply of public-interest education resources. Subsidies for improving conditions at regular senior secondary schools will reach 10 billion yuan, an increase of 3 billion yuan, and will be used to improve basic conditions in schools at the county level. We will help vocational education institutions in bringing their conditions up to relevant standards and support trials to establish a discipline-based system for the differentiated allocation of funds to vocational schools on a per student basis. We will support accelerated efforts to develop world-class universities and strong disciplines with Chinese features, and boost the ability of higher education institutions to serve China's strategic needs. A total of 40.4 billion yuan will be allocated for supporting the reform and development of local universities, an increase of 1 billion yuan, with the focus on developing world-class universities and world-class disciplines in central and western regions.

A total of 72 billion yuan will be allocated for student financial aid to help ease the education burden on families in difficulty, an increase of 3.2 billion yuan.

*We will support the improvement of medical and healthcare services.* The central government will allocate 170 billion yuan in general transfer payments, including 30 billion yuan of carryover funds produced by accrual accounting, to subsidize local governments for epidemic prevention and control, with funding tilted toward county-level governments. We will guarantee funding for temporary work subsidies for medical workers and vaccination expenses, and appropriately extend the policy on subsidizing Covid-19 treatment expenses, so that on top of basic medical insurance, major disease insurance, and medical assistance schemes, the government will provide extra subsidies for inpatient medical bills for treatment administered according to Covid-19 diagnostic and therapeutic protocols. By doing so, we will support the steady and orderly implementation of the policy of managing Covid-19 with measures against Class B infectious diseases. We will increase government subsidies for basic medical insurance for rural and non-working urban residents by 30 yuan per person, to 640 yuan per person per year, while at the same time raising personal contributions. Government subsidies for basic public health services will increase by 5 yuan per person, reaching 89 yuan per person per year, and priority will be given to supporting localities in enhancing such services for children and elderly people. We will help strengthen the capacity of county-level public hospitals to spur the county-level medical communities and village clinics to increase their service capacity. We will facilitate disease prevention efforts. We will take steady and well-ordered measures to deepen the reform of medical insurance payout models and make progress in implementing unified management of basic medical insurance at the provincial level.

*We will improve the social security system.* We will continue efforts to bring basic old-age insurance funds for enterprise employees under unified national management and appropriately raise basic pension benefits for retirees. The central government and local governments must fulfill their respective expenditure responsibilities to ensure that basic pension benefits are paid on time and in full. Active steps will be taken to develop a personal pension system and an old-age



insurance system with multiple tiers and pillars. We will improve measures to boost birth rates and fiscal policies in response to population aging. To improve the basic eldercare system, we will back accelerated efforts to refine the framework for providing home, community, and institution-based care that can meet different medical and health care needs. We will allocate 156.7 billion yuan in aid subsidies for people in need to ensure their basic living needs are met. We will improve the system whereby social security funds are kept safe through supervision and their value is maintained and increased over time. We will deepen reform of systems and mechanisms to increase the scale of strategic reserve funds.

*We will improve the housing support system.* Upholding the principle that housing is for living in and not for speculation, we will facilitate the improvement of the housing support system based primarily on public-rental housing, government-subsidized rental housing, and shared-ownership housing. We will increase the supply of governmental-subsidized rental housing, explore ways to develop the long-term rental market, and work faster to address the housing problems faced by new urban residents and young people. We will help implement long-term mechanisms to see stable and healthy development of the real estate market. We will make solid progress in ensuring timely delivery of housing projects to meet people's needs and maintain social stability. We will support people in buying their first home or improving their housing situation and promote stable development of the real estate market.

*We will promote the development of cultural programs and the cultural sector.* We will provide support to improve the modern public cultural service system, launch new cultural projects to benefit the public, and offer free admission to more public cultural facilities. We will back the implementation of the national strategy for digital cultural development and encourage the creation of more outstanding cultural products. We will provide greater support for efforts to preserve, use, and pass down our cultural relics, ancient books, and cultural heritage. We will promote the construction of national parks and the integration of culture and tourism. We will help strengthen our capacity for international communication and extend the reach and appeal of Chinese civilization. We will support extensive fitness-for-all activities and build China into a country strong on sports.

## **7) Ensuring both development and security by supporting national defense, diplomacy, and judicial and law enforcement work**

Implementing the Party's thinking on strengthening the military for the new era, we will provide support for modernization and development of the national defense and armed forces and work to strengthen our capacity in defense-related science, technology, and industry. We will provide better services and support for ex-service personnel and improve the mechanism for dynamically adjusting subsidies and living allowances for entitled groups. We will advance major-country diplomacy with Chinese characteristics on all fronts, deepen financial and economic exchanges and cooperation with other countries, actively participate in global economic governance, support high-quality Belt and Road cooperation, and promote high-standard opening up. We will deepen comprehensive and integrated reform of the judicial system, continue the ongoing efforts to combat and root out organized crime, and take a holistic approach to ensuring law and order, so as to advance the Peaceful China Initiative to a higher level.

### *4. General public budgetary revenue and expenditure for 2023*

#### **1) Central general public budget**

Revenue in the central government's general public budget is projected at 10.0165 trillion yuan, up 5.6% over the actual figure in 2022. Adding in 150 billion yuan from the Central Budget Stabilization Fund and 575 billion yuan from the budgets of central government-managed funds and central government state capital operations, total revenue is expected to be 10.7415 trillion yuan. Expenditures in the central general public budget are projected to be 13.9015 trillion yuan, an increase of 4.7%. Total expenditure will exceed total revenue, leaving a deficit of 3.16 trillion yuan, 510 billion yuan higher than in 2022, which will be supplemented through the issuance of government bonds.

Expenditures in the 2023 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 3.789 trillion yuan, an increase of 6.5%. In compliance with belt-tightening requirements, expenditures in

central departments will see an increase of 0.8%, which will mainly be spent on areas like education, science, and technology. This does not include central government spending on national reserves, on issuance and interest payments of government bonds, and on national defense. The main expenditures include the following: 156.799 billion yuan on general public services, down 0.7%; 54.836 billion yuan on diplomatic endeavors, up 12.2%; 1.5537 trillion yuan on national defense, up 7.2%; 208.972 billion yuan on public security, up 6.4%; 155.479 billion yuan on education, up 2%; 328.034 billion yuan on science and technology, up 2%; 132.878 billion yuan on stockpiling grain, edible oils, and other materials, up 13.6%; and 723 billion yuan on debt interest payments, up 10.8%.

(2) A total of 10.0625 trillion yuan will be transferred to local governments, an increase of 3.6%, or 7.9% after deducting one-time special transfer payments that will be used to support primary-level governments in implementing tax and fee cuts and ensuring key public wellbeing projects.

(3) A total of 50 billion yuan will be appropriated for central government reserve funds, which is consistent with the figure for 2022. Depending on their use in practice, utilized reserve funds will be recorded as either central government expenditures or transfer payments to local governments.

## **2) Local general public budget**

Revenue in the local general public budget is projected at 11.7135 trillion yuan, up 7.6%. Adding in 10.0625 trillion yuan in transfer payments from the central government and 1.178 trillion yuan transferred from other local sources and utilized carryover and surplus funds, total revenue is expected to be 22.954 trillion yuan. Expenditure in the local general public budget is projected at 23.674 trillion yuan, up 5.2%. This will create a deficit of 720 billion yuan at the local level, the same as 2022, which will be supplemented through the issuance 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 21.73 trillion yuan, an increase of 6.7%. With the addition of 1.903 trillion yuan transferred from other sources and utilized carryover and surplus funds, total revenue is calculated

at 23.633 trillion yuan. Expenditure in the national general public budget is projected at 27.513 trillion yuan (including 50 billion yuan for central government reserve funds), an increase of 5.6%. This will create a deficit of 3.88 trillion yuan, an increase of 510 billion yuan compared with 2022.

#### *5. Budgetary revenue and expenditure of government-managed funds for 2023*

Budgetary revenue of central government-managed funds is projected to be 414.89 billion yuan, up 0.6%. Adding in 739.309 billion yuan carried over from last year, total revenue is calculated at 1.154199 trillion yuan. Budgetary expenditure of central government-managed funds is expected to total 594.199 billion yuan. This figure consists of 504.539 billion yuan of central government spending and 89.66 billion yuan in transfer payments to local governments. A projected 500 billion yuan will be transferred into the central general public budget. A surplus of 60 billion yuan will be carried forward to 2024.

Budgetary revenue of local government-managed funds is projected to be 7.4021 trillion yuan, up 0.4%. Adding in 89.66 billion yuan in transfer payments from the budget of central government-managed funds and 3.8 trillion yuan of revenue generated from special local government debt, total revenue is expected to be 11.29176 trillion yuan. Budgetary expenditure of local government-managed funds is expected to total 11.29176 trillion yuan, an increase of 7.5%.

Budgetary revenue of government-managed funds nationwide, combining central and local government-managed funds, is projected at 7.81699 trillion yuan, up 0.4%. Adding in 739.309 billion yuan carried over from last year and 3.8 trillion yuan of revenue generated from special local government debt, total revenue is calculated at 12.356299 trillion yuan. Budgetary expenditure of government-managed funds nationwide is projected at 11.796299 trillion yuan, an increase of 6.7%. A projected 500 billion yuan will be transferred into the general public budget. A surplus of 60 billion yuan will be carried forward to 2024.

#### *6. Budgetary revenue and expenditure of state capital operations for 2023*

Budgetary revenue of central government state capital operations is projected at 241.04 billion yuan, up 2.9%. Adding in 8.892 billion yuan carried over from last year, total revenue is calculated at 249.932 billion yuan. Budgetary expenditure of central government state capital operations is expected to total 174.932 billion yuan,

up 2.3%. This figure consists of 170.477 billion yuan of central government spending and 4.455 billion yuan in transfer payments to local governments. A projected 75 billion yuan will be transferred into the central general public budget.

Budgetary revenue of local government state capital operations is projected to be 294.8 billion yuan, a drop of 11.9%. This is primarily due to a fall in the net profits of local SOEs in 2022. Adding in 4.455 billion yuan in transfer payments from the central government state capital operations budget and 18.649 billion yuan carried over from last year, total revenue is calculated at 317.904 billion yuan. Budgetary expenditure of local government state capital operations is estimated at 176.404 billion yuan, an increase of 1.7%. A projected 141.5 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 535.84 billion yuan, down 5.8%. Adding in 27.541 billion yuan carried over from last year, the total budgetary revenue of state capital operations nationwide is calculated at 563.381 billion yuan. Budgetary expenditure of state capital operations nationwide is estimated at 346.881 billion yuan, up 2.2%. A projected 216.5 billion yuan will be transferred into the general public budget.

#### *7. Budgetary revenue and expenditure of social insurance funds for 2023*

Budgetary revenue of the central government social insurance fund is projected at 50.782 billion yuan, an increase of 35%, and expenditure from the fund is estimated at 51.125 billion yuan, up 40.6%. Considerable increases in revenue and expenditure are primarily attributable to some central departments transferring from the local to the central level for social insurance. Taking unified national management and regulation of funds into account, the budgetary deficit of the central government social insurance fund will stand at 428 million yuan, which will be supplemented by the year-end balance from 2022. The year-end balance will total 12.384 billion yuan after the balance from 2022 has been rolled over.

Budgetary revenue of local government social insurance funds is projected at 10.884881 trillion yuan, up 7.6%. Expenditure of these funds is estimated at 9.749719 trillion yuan, an increase of 7%. Taking unified national management and regulation of funds into account, the budgetary surplus of local government social

insurance funds will be 1.135247 trillion yuan this year, and the year-end balance will come to 12.601381 trillion yuan after the balance from 2022 has been rolled over.

Counting both central and local government budgets, revenue of social insurance funds nationwide is calculated at 10.935663 trillion yuan, an increase of 7.7%. This includes 7.997428 trillion yuan in insurance premiums and 2.494982 trillion yuan in government subsidies. Budgetary expenditure of social insurance funds nationwide is expected to total 9.800844 trillion yuan, up 7.2%. With a projected surplus of 1.134819 trillion yuan, the year-end balance will be 12.613765 trillion yuan after the balance from 2022 has been rolled over.

In 2023, the ceiling for central government debt is 29.860835 trillion yuan; the ceiling for local government general debts is 16.548922 trillion yuan; and the ceiling for local government special debts is 25.618508 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; basic and project expenditures of government departments and transfer payments to lower-level governments that must be made in the current year, on the basis of budgetary expenditure amount for the corresponding period in 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 1.7904 trillion yuan in January 2023, including 199.5 billion yuan in expenditures at the central level and 1.5909 trillion yuan in transfer payments to local governments.

### III. Fiscal Reform and Development in 2023

#### *1. Ensuring strict compliance with the Budget Law and its implementation regulations*

We will rigorously execute the budgets approved by the NPC. Spending on items not included in budgets will be forbidden, and adjustments to budgets will be strictly regulated. We will speed up budget implementation and improve management of centralized treasury collections and payments to raise the efficiency of fund payments across the board. We will urge relevant departments and organizations to strengthen management of budgetary revenue and expenditure and to assume responsibility for ensuring budgets are holistic, standardized, and authentic as well as for the results of budget execution. We will strengthen the role of project databases as a fundamental support and see that reserves of projects are thorough and meticulous to ensure that budgets can be put to use as soon as they are approved, avoiding situations where funds are left to sit idle. We will expand the scope of integrated budget management and reinforce monitoring and early warning for fiscal operations so as to better facilitate budget execution and policy implementation. We will increase the transparency of government and department budgets and final accounts, providing a wider range of more detailed information in improved formats. We will take major strides in making fiscal policies available to the public and willingly accept public oversight. We will carry out a dedicated initiative to supervise the implementation of budgets to encourage the standardized, safe, and efficient use of government funds.

#### *2. Fulfilling belt-tightening requirements*

Hard work and frugality are the guiding tenets and enduring principles of fiscal work. We will make consistent efforts to see that Party and government offices tighten their belts. To this end, we will keep a firm hand on budget management, asset allocation, and government procurement, fulfill our duty to carefully manage public finance and exercise strict control over budgets, and establish a mechanism to make sure fiscal funds are used prudently. We will strictly control general expenditures, strengthen management over budgets for spending on official overseas visits, official vehicles, and official hospitality, and prohibit all unnecessary projects and expenditures in order to channel more fiscal

resources toward ensuring stable growth, employment, and prices. We will urge localities and departments to intensify regular oversight and management over funds and projects to prevent government funds from being diverted or used in breach of regulations.

### *3. Stepping up performance-based budget management*

To continue advancing performance-based budget management, we will apply the concept and approach of prioritizing performance throughout the process of budget management. We will give priority to carrying out the major decisions and plans of the Party Central Committee and the State Council in managing budget performance, and conduct more rigorous performance evaluations prior to the introduction of major policies and projects, so as to make fiscal policies more practicable and public finance more sustainable. We will tighten the management of performance targets, and make the framework for performance indicators more systematic, precise, and practical. We will improve the performance-based budget evaluation system for major policies and projects, and make full use of evaluation results by regarding them as important reference points when refining policies, formulating budgets, and enhancing management. We will increase the transparency of performance-related information and voluntarily accept public oversight in this regard.

### *4. Supporting primary-level governments in ensuring the three priorities*

We will increase transfer payments from the central government to local governments, make good use of the mechanism for the direct allocation of government funds, and promote the unified management of fiscal resources at the provincial level to see more funds flowing into primary-level governments. We will guide localities in boosting monitoring of fiscal operations in county and district governments to evaluate their fiscal operations more accurately and comprehensively, seeing that dynamic monitoring and category-based management are exercised and targeted measures are put in place. We will leverage the role of local supervision bureaus under the Ministry of Finance to promptly discover and defuse hidden risks. We will refine the integrated system for budget management and strengthen technological support to guarantee full funding for ensuring the three priorities. We will see that local governments fulfill



their responsibilities for ensuring the three priorities, and county-level governments in particular, assume primary responsibility. For a few localities confronted with the risk of failing to ensure the three priorities, we will urge local governments to swiftly respond to and appropriately address and defuse such risks.

*5. Strengthening management of local government debt*

We will step up inter-departmental coordination with regard to oversight, see responsibilities are fulfilled by all stakeholders, strengthen oversight on both the supply and demand sides of funding, and resolutely prevent any increase in the cases of hidden government debt by cutting off the channels through which such debts are raised. We will urge provincial governments to step up risk analysis and assessment and carry out regular oversight, review, and evaluation with greater focus on prefecture and county governments, and to rely on their own efforts to gradually lower the level of debt risks and steadily defuse existing hidden debts. We will keep a close watch on developments, act quickly to deal with new hidden debt cases, and hold those responsible to account. We will strengthen holistic governance over companies that serve as platforms for local government financing, gradually phase out their government financing functions, and facilitate their transformation on a category-by-category basis. We will enhance management over funds raised through special-purpose bonds in the post-investment phase to prevent the practices of regarding allocated funds as being spent and paying no attention to how funds are used after allocation. We will improve mechanisms for managing projects, see that principal and interest repayments are made on time and in full, and ensure no risks arise as the result of legally mandated bonds.

*6. Intensifying oversight on accounting*

We will implement the Guidelines on Further Strengthening Oversight on Accounting, and facilitate the establishment of an accounting oversight system whereby financial departments assume primary responsibility for oversight, relevant departments conduct oversight according to their respective responsibilities, all institutions conduct internal oversight, relevant intermediary agencies conduct professional oversight, and trade associations conduct oversight to uphold self-discipline. We will also improve the working mechanism featuring

lateral coordination between all institutions responsible for oversight and vertical linkages between central and local governments. We will carry out a national accounting oversight campaign to resolutely investigate and punish violations of laws and regulations and to tighten fiscal discipline, with a focus on preferential tax and fee policies and belt-tightening efforts by Party and government offices. We will work to accelerate the revision of the Accounting Law and the Law on Certified Public Accountants, and enhance oversight on the quality of accounting information and the quality of work done by relevant intermediary agencies. We will facilitate links and coordination between accounting oversight and other types of oversight, so as to ensure the sharing of relevant information, leads, and results. We will look into using modern information technology solutions such as the Internet plus model of regulation and big data to enhance the efficiency of oversight.

#### *7. Deepening fiscal and tax system reform*

We will improve the modern budget system, make budget management more holistic, develop the system of standards for expenditures, and refine the system for guaranteeing basic public services and defining relevant standards. We will further clarify the fiscal relationship between governments at and below the provincial level, establishing for them a fiscal system whereby power and responsibility are better defined, revenue allocation is more standardized, fiscal distribution is relevantly balanced, and local needs are better satisfied. We will improve the system of transfer payments by standardizing payment categories and refining regular evaluation and exit mechanisms, so as to realize sounder management in this regard across the board. We will look into optimizing the taxation scope for adjusted gross income subject to personal income tax and refine the items for which special additional deductions can be claimed. We will reform the VAT system, free up the channels for making tax deductions, and optimize the institutional design for VAT credit refunds. We will steadily advance the development of local tax systems. We will enhance lifecycle management of state-owned assets in administrative departments and public institutions, improve the quality of compilation and level of IT application for reports on state-owned assets, and see that all requirements regarding the centralized and unified

management of state-owned financial capital are implemented.

*8. Submitting to budget review and oversight of the NPC*

We will implement the Decision to Strengthen Examination and Oversight of Central Government Budgets of the NPC Standing Committee, continue to refine the details and scope of government and department budgets to be reported to the NPC for review, and promptly submit relevant information as required in the execution of budgets. We will act on the resolutions and comments regarding budgets made by the NPC and its Standing Committee and take targeted measures to improve and strengthen budgetary work. We will report to relevant departments of the NPC when major fiscal and tax policies are introduced or major changes take place in the revenue and expenditure structure during the execution of budgets. When preparing budgets, formulating policies, and carrying out reforms, we will actively solicit the opinions and suggestions of NPC deputies through symposiums, briefings, and research projects. We will earnestly handle proposals and suggestions put forward by NPC deputies, communicate with and pay visits to them more regularly, and actively respond to their concerns. We will effectively correct problems discovered in auditing, establish sound mechanisms in this regard, and strictly enforce responsibility and accountability for rectification, in a resolute effort to prevent corrected mistakes from being repeated.

**Esteemed Deputies,**

The new goals we are pursuing on the new journey of the new era call for a fresh outlook, a renewed sense of responsibility, and new accomplishments. We will rally more closely around the Party Central Committee with Comrade Xi Jinping at its core; follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; acquire a deep understanding of the decisive significance of establishing both Comrade Xi Jinping's core position on the Party Central Committee and in the Party as a whole and the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; strengthen 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 both Comrade Xi Jinping's core position on the Party Central Committee and in the Party as a whole and the Party Central Committee's authority and its centralized, unified leadership. We will courageously shoulder responsibility and fulfill our duties, forge ahead with one heart, and work with energy and drive to ensure that all public finance initiatives are carried out effectively. Through these efforts, we will make new and greater contributions to building a modern socialist country in all respects and advancing the great rejuvenation of the Chinese nation on all fronts.