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Is China Advancing a Philanthropic Culture?

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China's fiscal and tax reform should aim to narrow down income disparity and facilitate income redistribution to realize social equity. Justifiably, Chinese citizens' perception to the rich has been different and subtle, given the suspicion that the rich grows wealth through unethical rent-seeking or corruption. The philanthropic tradition and culture were squandered by uncivilized spending behavior and celebrity donation scandals. There is also an observation that the nouveau riche ostentatiously flaunts wealth and expresses a lack of sensitivity and care to the struggling ordinary workers and farmers. Therefore, specific types of tax such as real estate tax (property tax) or inheritance tax should be adopted to realize fairer policies, promote income redistribution, and more importantly, support a stable social security and pension scheme to remedy the disadvantages of China's rapidly ageing society.

Tax incentives for charitable donations and the operation of NGOs have prompted quite many inadequacies in China's tax framework and called for meaningful reforms in this connection. The prime incentive of tax deduction has not been solidly rooted in the general public. There is a lack of stimulating push for the tax authorities and Ministry of Civil Affairs to adopt a systematic responsive reform measures. In China, the public benefit or charity purpose of nonprofit organizations has not been coherently defined. This confusion predictably inhibits the development of the nonprofit sector by stalling interested corporate and individual donors to take exemption and tax deduction.

Moreover, China has not set up an enforceable fiscal incentive system to promote charitable donations. The administrative procedure of obtaining a tax exempt certificate is arduous and discourages donors either to donate or withdraw from obtaining the certificate which worsens the efforts to modernize the tax scheme. Further, the administration and supervision on the internal management, human and resource, and financial and accounting management of nonprofit organizations are very weak. China's complex administration system on the nonprofit sector is messed in managing fund raising, appropriate usage of donations, and making profits from donations. Corruption also became a major concern of the general public to make donations.

Therefore, China leaders should eye closely on the development of tax incentive framework for NGOs and charitable donations, not only for promoting a robust social welfare system, but also for keeping the bottom-lined social consciousness to build up a philanthropic culture and tradition, so as to build up a harmonious society.

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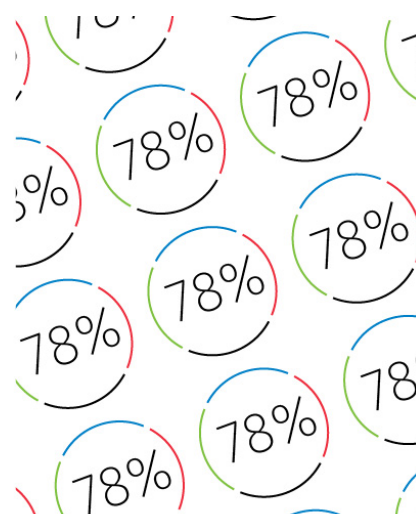
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