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MEMORANDUM

ON THE

INLAND TAXATION

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Foreign Goods and Native Produce

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Confidential.

By their note dated June 8th 1877 the Chinese government had declared their willingness to enter together with the treaty powers upon a joint consideration of the questions referring to the collection of duties and likin on foreign goods (import and export duties excepted).

Under these circumstances it appeared desirable, before beginning such a discussion, to elucidate as far as possible the system of inland taxation in China. A request addressed to the Tsung-li Ya-men that the Chinese local authorities might be instructed to lend their assistance to these endeavours and furnish the information in their possession, though having been favourably replied to by the Ya-men, proved practically of no value, the authorities in most instances refusing their assistance under pretext of ignorance or want of instructions.

Under these circumstances nothing remained but to try how far it would be possible to throw some light on the question, by using those means only which might be reached without having to rely on Chinese official assistance.

The "Collected institutes of the present dynasty," ed. 1812; the "Regulations of the board of revenue (Code of as translated by Sir Thomas Wade)" ed. 1874, some former publications by foreign writers, consular reports and private information from foreign and Chinese merchants have been the sources from which the facts upon which this memorandum is based have been derived. Though very incomplete in itself and antiquated in many parts, it may serve at least to give a general idea of the present state of the question and, by showing the defects of the system, form a basis for further consideration.

With regard to the Chinese works above cited they contain nothing about likin, the one because it was issued before that tax was introduced, the other because, as it is stated in one of the reports by the board of revenue which serve as a kind of introduction to it, all provisional measures of latter years have been omitted; the fact of likin not being mentioned in this work may therefore serve as a confirmation of the originally transitory character of this tax so often insisted upon by the Chinese. Further, all arrangements with foreign nations have been excluded from the "Regulations" and so have been of course all duties not levied under and for the board of revenue.

The duties levied according to these two works and bearing more or less directly on commerce may be classed under two heads: those under the board of works and those under that of revenue.

I.—*Duties levied under and for the board of works* (from the "Collected institutes"). (See An. I.)

1. The timber duty (*mu-shui*) book 45.26 vers. and 47.18 v.
2. The reed duty (*ve-shui*) b. 45.27.
3. The ship or boat duty (*ch'uan-shui*) b. 47.18 v.
4. The cargo tax (*h'uo-shui*) *ibid.*

It is however more than probable that since 1812 the number of these duties and the amount to be obtained from them have been not inconsiderably augmented.

II.—*Duties levied under and for the board of revenue according to their principal divisions* (from the Regulations of that board).

5. The ground tax (*ti'en-fu* or conversationally *ti'ing chi'en-liang*) b. 5-10.

6. The rice tribute (*ts'ao-yün*) b. 19-24.

7. The gabel, on salt (*yen-h'o*) b. 25-31.

8. The tea tax (*ch'a-shui*) as far as it is in connexion with the emission of official tea tickets (*ch'a-yin*) and different from the duty on tea as levied at the ordinary customs stations, b. 32. These tea tickets have to be taken out in some provinces for every hundred catties of tea leaves exported beyond the provincial frontier.

9. The Ginseng tax (*shên-h'o*) b. 33.

10. The different duties connected with the administration of the mint, (*i.e.* the issue of copper coins) b. 34-37, which include the taxes on copper, lead and tin mines, b. 35.

11. All customs' duties (*ku'an-shui*) b. 38-72. This head, however, comprises much more than its name indicates.

a. The duties levied at the principal Chinese custom-houses on merchandise of all kinds (*shui* or *ku'an-shui*); the sums to be accounted for yearly by them are given in book 39, while b. 43-72 contain the tariffs of all these provincial custom-houses *in extenso*. To these duties belong further, with the exception of *likin* and the duties paid under treaty, all Chinese import and export duties, transit duties, excise duties, duties on cattle, etc., distinctions of little importance for China where the principal thing is the passing of one of the custom-houses, or their branch stations. B. 39 to 77 contain details about these custom-houses, their branches and their districts. They are those duties which in 1842 on the conclusion of the British treaty of Nanking were designated as transit duties in Art. X of this document, and the amount of which was by a "Declaration respecting Transit Duties," dated Hongkong 26th June 1843, fixed as not to exceed the present rates, "which are upon a moderate scale." (See An. II, III, IV.)

In a Government Notification, dated Hongkong February 20th 1844 the transit or inland duties levied at the custom-houses of Kan, Taeping and Pihsin "on goods, that are going down to Canton or thence transported to the northern provinces" are published for general information; the annexed comparison between the duties levied at these custom-houses on some articles in 1844 and in 1874 will show how far the pledge that these duties were not to be increased has been redeemed by the Chinese government. (See An. V.)

b. The ship or boat duty (*chu'an-liao*) similar to our tonnage duties; these duties are contained in the tariffs of the principal custom-houses, b. 43-72.

c. The ship or boat duty (*ch'uan-kuei*) known as "mast dues" at Swatow and in Formosa.

The following duties and taxes appear to have been put under the same head as the three former ones for want of a proper rubric under which to insert them; most of them are neither levied by the principal Chinese custom-houses and their branches, nor are they comprised within their tariffs and the amounts to be remitted by them.

The most important of them is:

d. The local market duty (*lao-ti-shui* or *lo-ti-shui*) levied at all those very numerous places (fixed by regulations) where a trade in goods takes place, especially at fairs; but where no custom-houses exist, the tax has to be paid by the trader bringing the goods to the place to the local authorities before the sale is allowed. The Chinese name, literally translated, means "tax on arrival at the place"; this tax is therefore

to the retail trade what the duty paid to the Chinese customs is to the wholesale trade.

- e. The general shop tax (*shang-shui*).
- f. The shop tax in the capital (*ching-ch'êng p'u-shui*).
- g. The mixed taxes (*tsa-shui*) comprising an infinity of taxes on the fabrications of indigo, native wine, on mash, etc.
- h. The cocoon tax (*ts'an-chien-shui-yin*).
- i. The tax on fisheries [for the privilege of] (*yii-k'o*).
- k. The tax on pawn-brokers' shops (*tang-shang a-shui*).
- l. The brokers' tax (*ya-h'ang a-shui*) in so far as especially bank and corn brokers do their business under official control.
- m. The mining tax as not mentioned under No. 10; under this head fall all taxes on gold, silver, iron and coal mines, on the extraction of cinnabar and quicksilver.

This list is however also probably far from complete, while it is certain that in many cases, taxes and duties not leviable in the same places and originally excluding each other are now collected simultaneously. Besides these duties and taxes, there are others under the administration of neither the board of revenue nor that of works; such are among others the *ch'ih-tsoo* duties (*i.e.* for the purveyor of clothing [better silks and satins] to the Court) levied at different places, for instance since 1859 at Ningpo on tea (Report by Customs' Commissioner Mr. Dick); they are probably under the administration of the Ministry of the Imperial Household and consisted in former times exclusively of contributions in the form of "rent" (Collected institutes b. 73.14; 76.2).

As before mentioned, the regulations of the board of revenue contain nothing about likin; a new edition of the "Collected institutes" having been however in preparation for some years, it is not impossible that some more light may be thrown in future on this question.

As far as it has been possible to ascertain, likin made its appearance for the first time in 1843 or 1844, after the conclusion of the treaty of Nanking. Originally a war tax, *i.e.* intended to cover the losses "arising to the public exchequer from the necessity of having to remit the land tax wholly or entirely in the disturbed districts" (Memorandum of the Tsung-li Ya-men to Sir Rutherford Alcock, 28th June 1868), bearing therefore a pronounced local and temporary character, it has become to-day, notwithstanding all the assurances to the contrary, a permanent and universal tax levied everywhere under a variety of denominations and serving principally to furnish the means for the military preparations and armaments going on all through the country. The taxes known as the defence tax (*chow-fang*) introduced at Shanghai