

Interim Regulation of the People's Republic of China on Value Added Tax (2017 Revision)Area of Law: [Value-Added Tax](#) [Optimization of Doing Business](#)Level of Authority: [Administrative Regulations](#)

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Issuing Authority: [State Council](#)Status: [Effective](#)Topic: [Finance and Tax](#)[2016-2017 Annotation Version](#)[2008-2016 Annotation Version](#)[1993-2008 Comparison Version](#)**Interim Regulation of the People's Republic of China on Value Added Tax**

(Promulgated by Order No. 134 of the State Council of the People's Republic of China on December 13, 1993; revised at the 34th executive meeting of the State Council on November 5, 2008; and revised in accordance with [the Decision of the State Council on Amending Some Administrative Regulations](#) on February 6, 2016; and revised for the second time in accordance with the Decision of the State Council to Repeal [the Interim Regulation of the People's Republic of China on Business Tax](#) and Amend [the Interim Regulation of the People's Republic of China on Value-Added Tax](#) on November 19, 2017.)

Article 1 “Entities and individuals that sell goods or labor services of processing, repair or replacement (hereinafter referred to as “labor services”), sell services, intangible assets, or immovables, or import goods within the territory of the People's Republic of China are taxpayers of value-added tax (“VAT”), and shall pay VAT in accordance with this Regulation.

Article 2 The VAT rate is:

- (1) 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except as otherwise specified in items (2), (4) and (5) hereof;
- (2) 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring the rights to use land, or selling or importing the following goods:
 - (a) grain and other agricultural products, edible vegetable oil, and edible salt;
 - (b) tap water, heating, cooling, hot water, coal gas, liquefied petroleum gas, natural gas, dimethyl

ether, methane, and coal products for residential use;

(c) books, newspapers, magazines, audio-visual recordings, and electronic publications;

(d) feed, fertilizer, pesticide, agricultural machinery, and agricultural films; and

(e) Other goods specified by the State Council;

(3) 6%, for taxpayers selling services or intangible assets, except as otherwise specified in items (1), (2) and (5) hereof;

(4) zero, for taxpayers exporting goods, except as otherwise specified by the State Council; or

(5) zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders.

Any adjustments to the tax rates shall be decided by the State Council.

Article 3 For a taxpayer concurrently engaged in goods or taxable services at different tax rates, the sales amounts for goods or taxable services at different tax rates shall be calculated separately, otherwise, the higher tax rate shall apply.

Article 4 Except for the provisions in Article 11 of this Regulation, for a taxpayer engaged in selling goods or supplying taxable services, the payable tax amount shall be the balance after offsetting or deducting the input tax amount for the current period against or from the output tax amount for the current period. The formula for computing the payable tax amount:

the payable tax amount = the output tax amount for the current period – the input tax amount for the current period

If the output tax amount for the current period is less than and insufficient to offset against or deduct the input tax amount for the current period, the deficiency can be carried forward to the following period for offset or deduction.

Article 5 The VAT tax amount that a taxpayer occurrence of any taxable sale calculates on the basis of the sales amount and at the tax rate as prescribed in Article 2 of this Regulation and collects from the buyer is the output tax amount. The formula for the calculation of the output tax amount:

the output tax amount = the sales amount × the tax rate

Article 6 The sales amount shall be the full price and ex-price fees that a taxpayer charges the buyer for the occurrence of any taxable sale, but exclude the output tax amount collected.

The sales amount shall be calculated in RMB. Where a taxpayer settles the sales amount in a currency other than RMB, it (he) shall convert it into RMB.

Article 7 If the price of the goods occurrence of any taxable sale by a taxpayer is obviously low without a justifiable reason, the competent taxation organ shall verify and determine the sales amount.

Article 8 The VAT amount that a taxpayer pays or bears for purchasing goods, labor services, servi

ces, intangible assets, or immovables is the input tax amount.

The following input tax amounts are allowed to be offset against or be deducted from the input tax amounts:

1. the VAT amount as indicated in the special VAT invoice obtained from the seller;
2. the VAT amount as indicated in the special bill of payment of import VAT obtained from the customs house;
3. for the purchase of agricultural products, besides obtaining the special VAT invoice or customs special bill of payment of import VAT, the amount of input tax as calculated according to the purchase price of the agricultural product indicated on the agricultural product purchase invoice or sales invoice and a deduction rate of 11%, except as otherwise specified by the state Council. The formula for the calculation of the input tax amount:

the input tax amounts = the purchase price × the deduction rate

4. The VAT amount indicated on the tax payment certificate for withheld taxes obtained from the tax authority or withholding agent for the purchase of labor services, services, intangible assets, or domestic immovables from entities or individuals outside China.

Any adjustments to the allowed deduction items and rates shall be decided by the State Council.

Article 9 For a taxpayer purchasing goods, labor services, services, intangible assets, or immovables, if the VAT deduction voucher it (he) obtains does not conform to law, administrative regulation, or relevant provisions of the taxation administrative department of the State Council, the input tax amount shall not be offset against or deducted from the output tax amount.

Article 10 The amount of input tax on any of the following items shall not be deducted from the amount of output tax:

1. Goods, labor services, services, intangible assets, or immovables purchased for taxable items to which the simple tax computation method applies, VAT-exempt items, or collective welfare or individual consumption.
2. The purchased goods suffering from abnormal losses and relevant labor services and transportation services.
3. The purchased goods (excluding fixed assets), labor services, and transportation services consumed by work-in-process or finished products suffering from abnormal losses.
4. Other items as specified by the State Council.

Article 11 For occurrence of any taxable sale of a small-scale taxpayer, a simple approach shall be employed to calculate the payable tax amount on the basis of the sales amount and at the tax rate and the input tax amount shall not be offset or deducted. The formula for the calculation of the payable amount:

the payable tax amount = the sales amount × the tax rate

the criteria for small-scale taxpayers shall be formulated by the finance and taxation administrative departments of the State Council.

Article 12 The levy rate of VAT on small-scale taxpayers shall be 3%, except as otherwise specified by the State Council.

Article 13 A taxpayer other than a small-scale taxpayer shall undergo registration with the appropriate tax authority. The specific registration measures shall be developed by the taxation department of the State Council.

Where a small-scale taxpayer with adequate accounting is able to provide accurate tax data, it may undergo registration with the appropriate tax authority not as a small-scale taxpayer, and calculate the taxes payable according to the relevant provisions of this Regulation.

Article 14 For goods imported by a taxpayer, the payable tax amount shall be calculated on the basis of the composite assessable value and the tax rates as given in Article 2 of this Regulation. The formulas for the calculation of the composite assessable value and the payable tax amount:

the composite assessable value = the customs duty-paid value + the customs duty + the consumption tax

the payable tax amount = the composite assessable value × the tax rate

Article 15 The following items shall be exempted from the VAT:

1. self-produced agricultural products sold by agricultural producers;
2. contraceptive medicines and devices;
3. antique books;
4. apparatus and equipment imported and directly used for scientific research, experiment and teaching;
5. imported materials and equipment from foreign governments and international organizations as gratuitous aid;
6. articles exclusively for persons with disabilities that are directly imported by organizations of persons with disabilities; and
7. self-used articles sold by the seller.

Except for the provisions of the preceding paragraph, the VAT exemption and reduction items shall be prescribed by the State Council. No other region or department shall prescribe any tax exemption or reduction item.

Article 16 For a taxpayer concurrently engaged in VAT-free or VAT reduction items, it (he) shall calculate the sales amounts of the VAT-free or VAT reduction items separately, otherwise, it (he) shall

not enjoy the tax exemptions or reductions.

Article 17 If the sales amount of a taxpayer does not reach the VAT threshold as prescribed by the finance and taxation administrative departments of the State Council, it shall be exempted from the VAT. If it reaches the aforesaid threshold, the VAT shall be calculated and paid in full amount on the basis of this Regulation.

Article 18 Where an entity or individual outside the territory of the People's Republic of China supplies taxable services inside the territory of the People's Republic of China, and it (he) has not established a business institution within China, its agent within China shall be the withholding obligor. If it (he) has no agent within China, the purchaser shall be the withholding obligor.

Article 19 The time at which an obligation to pay the VAT arises shall be as follows:

1. For the occurrence of any taxable sale, it is the date on which the sales price payment is received or the sales voucher as requested is obtained. If an invoice is issued in advance, it shall be the same day when the invoice is issued.
2. For imported goods, it is the date of customs declaration for import.

The time at which an obligation to withhold the VAT arises shall be the same day when an obligation to pay the VAT arises.

Article 20 The VAT shall be collected by taxation organs and the VAT on imported goods shall be withheld by the customs houses.

The VAT on self-use articles carried or mailed into China by individuals shall be levied together with the customs duties. The specific measures shall be formulated by the Tariff Policy Committee of the State Council in conjunction with relevant departments.

Article 21 The taxpayer of occurrence of any taxable sale shall issue a special VAT invoice to the buyer requesting for a special VAT invoice and give clear indications of the sales amount and output tax amount on it.

Under any of the following circumstances, no special VAT invoice shall be issued:

1. The purchaser in the taxable sale is an individual consumer; and
2. The tax-free provisions apply to the occurrence of any taxable sale.

Article 22 The VAT payment places:

1. Businesses with a fixed establishment shall file tax returns with the competent taxation organ at the locality where the establishment is located. If the head office and its branch are not situated in the same county (or city), they shall file tax returns separately to their respective local competent taxation organ. The head office may, upon the approval of the finance or taxation administrative department of the State Council or its authorized finance or taxation organ, file tax returns with the

competent taxation organ at the locality where the establishment is located on a consolidated basis.

2. A business with fixed premises that sells goods or labor services in another county (or city) shall report its business conducted in such other county (or city) to the tax authority at the place where the institution is located, and file a tax return with the tax authority at the place where the institution is located; if it fails to report the same, it shall file a tax return with the tax authority at the place where goods are sold or labor services occur; or if it fails to file a tax return with the tax authority at the place where goods are sold or labor services occur, the tax authority at the place where the institution is located shall collect the taxes in arrears.

3. Business without a fixed establishment selling goods or labor services shall file tax returns with the competent taxation organ at the locality where the sales activities take place or where the taxable services occur. If it fails to do so, the competent taxation organ at the locality where it is located or resides shall levy the overdue taxes.

4. For imported goods, tax returns shall be filed with the customs house at the locality where the customs declaration is made.

A withholding obligor shall file tax returns and pay the tax amounts, which it withholds, to the competent taxation organ at the place where its institution or domicile is located.

Article 23 The VAT taxable period shall be one day, three days, five days, 10 days, 15 days, one month or one quarter. The specific taxable period of a taxpayer shall be determined respectively by the competent taxation organ on the basis of the payable tax amount of the taxpayer. If the tax cannot be paid on a regular period basis, it can be assessed on a transaction-by-transaction basis.

A taxpayer who adopts one month or one quarter as a taxable period shall file tax returns within 15 days after the expiration of such a period. If it (he) adopts one day, three days, five days, 10 days or 15 days as a taxable period, it (he) shall prepay the tax within five days after the expiration of such a period and within 15 days of the following month, file a tax return and settle the payable tax amount of the immediately previous month.

The time limit for a withholding obligor to deliver tax payment shall be governed by the preceding two paragraphs.

Article 24 A taxpayer of imported goods shall pay the tax within 15 days from the date on which the customs house fills out the special bill of payment of import VAT issued by the customs offices.

Article 25 A taxpayer exporting tax-rebate (exemption) goods shall go through the export formalities in the customs house and within the prescribed time limit for applying for tax rebate (exemption) and on a monthly basis, apply to the competent taxation organ for handling the tax rebate (exemption) for the exported goods on the strength of export declaration forms, or where the tax refund (

exemption) provisions are applicable to the sale of any service or intangible asset across national borders by an entity or individual within the territory of China, declarations for tax refund (exemption) shall be filed with the tax authority on schedule. The concrete measures shall be formulated by the finance or taxation administrative department of the State Council.

Where any exported goods are returned or a customs declaration is withdrawn after the completion of the tax rebate on the exported goods, the taxpayer shall pay back the said tax rebate according to law.

Article 26 The administration of collection of the VAT shall be governed by the Law of the People's Republic of China on the Administration of Tax Collection and the relevant provisions in this Regulation.

Article 27 Where any matters concerning taxpayers' payment of VAT are otherwise specified in any provisions issued by the State Council or by the finance or taxation administrative department of the State Council with the consent of the State Council, such provisions shall prevail.

Article 28 This Regulation shall come into force as of January 1, 2009.

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