

Key amendments to PRC interim Value Added Tax (VAT) regulations

(New and amended text shown in italics.)

PRC interim VAT regulations (New)	PRC interim VAT regulations (Old)
<p>Article 1</p> <p>Entities and individuals engaged in the sale of goods, the provision of processing and repair services, the <i>supply of services, intangible assets and immovable assets</i>, or the import of goods in China are VAT payers and must pay VAT pursuant to the regulations.</p>	<p>Article 1</p> <p>Entities and individuals engaged in the sale of goods, the provision of processing and repair services or the import of goods in China are VAT payers and must pay VAT pursuant to the regulations.</p>
<p>Article 2</p> <p>The VAT rate is:</p> <p>(1) 17% for the sale of goods, the provision of processing and repair services, the <i>leasing of tangible assets</i> or the import of goods, except as otherwise provided in paragraphs (2), (4) or (5) of this article;</p> <p>(2) <i>11% for the supply of transportation services, postal services, basic telecommunication services, construction services, leasing services of immovable assets, the sale of immovable assets, the transfer of land-use rights</i>, and the sale or import of the following goods:</p> <p>(i) agricultural products, such as grains, edible vegetable oils and <i>edible salt</i>;</p> <p>(ii) tap water, heat, air conditioning, water heating, coal gas, liquefied petroleum gas, natural gas, <i>methyl ether</i>, methane and coal products for residential use;</p> <p>(iii) books, newspapers and magazines, <i>audio and video products, electronic publications</i>;</p> <p>(iv) feeds, fertilizers, pesticides, agricultural machinery and agricultural films; and</p> <p>(v) any other goods stipulated by the State Council;</p>	<p>Article 2</p> <p>The VAT rate is:</p> <p>(1) 17% for sale or the import of goods, except as otherwise provided in paragraphs (2) or (3) of this article;</p> <p>(2) <i>13% for the sale or import of the following goods:</i></p> <p>(i) grains and edible vegetable oils;</p> <p>(ii) tap water, heat, air conditioning, water heating, coal gas, liquefied petroleum gas, natural gas, methane and coal products for residential use;</p> <p>(iii) books, newspapers and magazines;</p> <p>(iv) feeds, fertilizers, pesticides, agricultural machinery and agricultural films; and</p> <p>(v) any other goods stipulated by the State Council;</p>

PRC interim VAT regulations (New)	PRC interim VAT regulations (Old)
(3) <i>6% for the supply of services and intangible assets, except as otherwise provided by paragraphs (1), (2) or (5) of this article;</i>	(3) 0% for exported goods, except as otherwise provided by the State Council;
(4) 0% for exported goods, except as otherwise provided by the State Council;	(4) 17% for the provision of processing and repair services.
(5) <i>0% for the cross-border supply of specified services or intangible assets by domestic entities and individuals.</i>	
<p>Article 5</p> <p>For taxpayers engaged in taxable activities, output VAT refers to the amount of VAT that was calculated based on the sales amount with the tax rate provided in article 2 and collected by the taxpayer.</p>	<p>Article 5</p> <p>For taxpayers engaged in the supply of goods or processing/repair services, output VAT refers to the amount of VAT that was calculated based on the sales amount with the tax rate provided in article 2 and collected by the taxpayer <i>from the purchaser.</i></p>
<p>Article 6</p> <p>The sales amount refers to the total price and other expenses collected by a taxpayer engaged in taxable activities, but excluding output VAT.</p>	<p>Article 6</p> <p>The sales amount refers to the total price and other expenses collected <i>from the purchaser</i> by a taxpayer engaged in the sale of goods or the provision of processing, repair services, but excluding output VAT.</p>
<p>Article 8</p> <p>Input VAT refers to the VAT paid or borne by a taxpayer for the purchase of goods, services, intangible assets and immovable assets.</p> <p>The following input VAT is allowed to be credited against output VAT:</p> <p>...</p> <p>(3) for the purchase of agricultural products where no VAT special invoice or Customs import VAT payment certificate can be issued, input VAT that is calculated by multiplying the purchase price of agricultural products stated on the relevant invoice by <i>11%</i>, <i>except as otherwise provided by the State Council;</i></p>	<p>Article 8</p> <p>Input VAT refers to the VAT paid or borne by a taxpayer for the purchase of goods or the receipt of processing and repair services.</p> <p>The following input VAT is allowed to be credited against output VAT:</p> <p>...</p> <p>(3) for the purchase of agricultural products where no VAT special invoice or Customs import VAT payment certificate can be issued, input VAT that is calculated by multiplying the purchase price of agricultural products stated on the relevant invoice by <i>13%</i>;</p>

PRC interim VAT regulations (New)	PRC interim VAT regulations (Old)
<p>(4) <i>for processing, repair or other services, intangible assets or domestic immovable assets purchased from a foreign entity or individual, input VAT stated on the withholding tax payment certificate acquired from the tax authorities or the withholding agent;</i></p> <p>...</p>	<p>(4) <i>for transport fees paid for the purchase or sales of goods and during the business transaction, input VAT that is calculated by multiplying the transport fee stated on the relevant transport document by 7%;</i></p> <p>...</p>
<p>Article 10</p> <p>Input VAT on the following items cannot be credited against output VAT:</p> <p>(1) input VAT arising from the purchase of goods, <i>services, intangible assets and immovable assets</i> that are used for purposes of <i>projects subject to the simplified taxing method</i>, VAT-exempt projects, collective welfare or personal consumption;</p> <p>(2) input VAT arising from the purchase of goods in the case of an abnormal loss of the goods, as well as relevant processing and repair services, and <i>transport services</i>;</p> <p>(3) input VAT arising from the purchase of goods (<i>excluding fixed assets</i>), relevant processing and repair services, and <i>transport services</i> in the case of an abnormal loss of work-in-progress or finished products that were made from the goods and services; and</p> <p>(4) <i>other items stipulated by the State Council.</i></p>	<p>Article 10</p> <p>Input VAT on the following items cannot be credited against output VAT:</p> <p>(1) input VAT arising from the purchase of goods and <i>processing, repair services</i> that are used for purposes of <i>non-VATable projects</i>, VAT-exempt projects, collective welfare or personal consumption;</p> <p>(2) input VAT arising from the purchase of the goods in the case of an abnormal loss of the goods, as well as relevant processing and repair services;</p> <p>(3) input VAT arising from the purchase of goods or relevant processing and repair services in case of abnormal loss of the work-in-progress or finished products that were made from the goods and services;</p> <p>(4) <i>input VAT arising from consumer goods for self-use by taxpayers stipulated by the Ministry of Finance and State Administration of Taxation; and</i></p> <p>(5) <i>input VAT arising from transport fees for goods as stipulated in (1) through (4) of this article and transport fees incurred for sales of VAT-exempt goods.</i></p>

PRC interim VAT regulations (New)	PRC interim VAT regulations (Old)
<p>Article 21</p> <p>A VAT special invoice cannot be issued in the following situations:</p> <p>(1) sales of goods or services to an individual consumer; or</p> <p>(2) sales of VAT-exempt goods or services.</p>	<p>Article 21</p> <p>A VAT special invoice cannot be issued in the following situations:</p> <p>(1) sales of goods or services to an individual consumer;</p> <p>(2) sales of VAT-exempt goods or services; or</p> <p>(3) <i>sales of goods or services by small-scale taxpayers.</i></p>
<p>Article 22</p> <p>For location of VAT payments:</p> <p>...</p> <p>(2) Where a taxpayer with a registered fixed place of business carries out a business of selling goods or providing processing and repair services in other counties (cities), the taxpayer should first <i>notify the tax authorities in the place in which it is registered</i>, file VAT return with and pay VAT to the above tax authorities accordingly. <i>If the taxpayer does not notify the tax authorities where it is registered</i>, it should file VAT return with and pay VAT to the tax authorities in the place where the business activities are carried out. If the taxpayer does not file VAT return with the tax authorities in the place where the business activities are carried out, the tax authorities where the taxpayer is registered have the right to pursue the underpaid tax.</p> <p>...</p>	<p>Article 22</p> <p>For location of VAT payments:</p> <p>...</p> <p>(2) Where a taxpayer with a registered fixed place of business carries out a business of selling goods or providing processing and repair services in other counties (cities), the taxpayer should first <i>apply for a certificate from the tax authorities in the place where it is registered</i>, file VAT return with and pay VAT to the above tax authorities accordingly. <i>If the taxpayer does not obtain the certificate</i>, it should file VAT return with and pay VAT to the tax authorities where the business activities are carried out. If the taxpayer does not file VAT return with the tax authorities in the place where the business activities are carried out, the tax authorities where the taxpayer is registered have the right to pursue the underpaid tax.</p> <p>...</p>
<p>Article 25</p> <p>Where a taxpayer is eligible for a VAT refund or an exemption for the export of goods, the taxpayer must complete the Customs procedure and obtain the relevant documentation, such as the Export Declaration Form, and claim a VAT export refund or an exemption with the tax authorities on a monthly basis within the stipulated period. <i>Where a domestic entity</i></p>	<p>Article 25</p> <p>Where a taxpayer is eligible for a VAT refund or an exemption for the export of goods, the taxpayer must complete the Customs procedure and obtain the relevant documentation, such as the Export Declaration Form, and claim a VAT export refund or an exemption with the tax authorities on a monthly basis within the stipulated period.</p>

PRC interim VAT regulations (New)	PRC interim VAT regulations (Old)
<p><i>or an individual that is eligible for a VAT refund or an exemption with respect to the provision of qualifying cross-border services or intangible assets, the entity or individual should claim the VAT export refund or exemption with the competent tax authorities within the stipulated period.</i></p>	
<p>Article 27</p> <p><i>For VAT-related matters, if the State Council (or the Ministry of Finance, State Administration of Taxation, as agreed by the State Council) issue other stipulations, those stipulations should be followed.</i></p>	

Note: Minor adjustments have been made to the Chinese language of some other articles for clarity but no substantive changes have been made to the meaning.

About Deloitte Global

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves nearly 80 percent of the Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 263,900 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

About Deloitte China

The Deloitte brand first came to China in 1917 when a Deloitte office was opened in Shanghai. Now the Deloitte China network of firms, backed by the global Deloitte network, deliver a full range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. We have considerable experience in China and have been a significant contributor to the development of China's accounting standards, taxation system and local professional accountants. To learn more about how Deloitte makes an impact that matters in the China marketplace, please connect with our Deloitte China social media platforms via www2.deloitte.com/cn/en/social-media.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is by means of this communication, rendering professional advice or services. None of the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018 Deloitte Touche Tohmatsu in Hong Kong, Deloitte Touche Tohmatsu in Macau, and Deloitte Touche Tohmatsu Certified Public Accountants LLP in the Chinese Mainland. All rights reserved.