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Insights - Lehmanbrown's client - focused e-Newsletter

The Latest Insight

Further Increase in Export Refund Rates for certain commodities

[3 July, 2009 Issues 11]

Based on the 'Notice of Further Increase in Export Refund Rates for certain Commodities' issued by the Ministry of Finance and the State Administration of Taxation, as of 1st June 2009, the export refund rates will be increased as follows:

Commodity	New VAT refund rate
TV-used transmitting equipment, sewing machines etc.	17%
Tin, juice, mulberry silk and other deep-processed agriculture products. Electric gear pump, semi-trailer, optical element, insulin, cases and bags, shoes and hats, umbrella, hair-made article, toy, furniture.	15%
Some plastic, ceramic, glass products, aquatic products, turning tools.	13%
Alloy steel, profiled bar, steel, scissors.	9%
Corn made starch, alcohol.	5%

Whether or not the new rates should apply depends upon the export dates, as indicated in the Customs Declaration Forms.

The increase in export refund rates could have a positive effect on both the profit/loss and the cash flow of an enterprise. Generally, an enterprise engaging in export business would receive the VAT refund from the tax authorities. This would be based on the VAT input that the enterprise obtains from purchasing goods from other general taxpayer suppliers or from importing goods from overseas.

For a **manufacturing enterprise**, the VAT refundable would be calculated as:

VAT input - Non-Creditable and Non Refundable VAT ((Export sales - bonded imports) x (VAT rate - applicable refund rate)).

For a **trading enterprise**, the VAT refundable would be calculated as:

VAT input x (VAT rate - applicable refund rate).

VAT refundable would be used to offset against the VAT output, and would be refunded to the enterprise if there is any balance after the offset.

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Comparison between IFRS and Chines GAAP

21st July 2009 Singapore,

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Poll

Has your company considered and/or undertaken an internal audit since the economic downturn?

- Yes
- No

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