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Adjusted export value-added tax refund

Procedures for Chinese investment abroad

Implementation notice of adjusted export value-added tax refund and exemption measures in relation to revised PRC foreign trading law Circular No. 955 (2004)

To all state tax bureau:

Revised PRC <Foreign Trading Law> ("FTL") has been executed since July, July 1, 2004. As a continuum of the well implementation of FTL, Circular No. 955 (2004) (hereinafter referred to as "Circular") was issued to deal with the following related problems of the export value-added tax ("VAT") refund and exemption measures to better accommodate the revised FTL:

1. According to the revised FTL and <Foreign Trading Entity Registration Measures>, legal representative, entities or individuals (hereinafter referred to as "Traders") who engage in foreign trading activities are required to bring the following documents to the local tax authority to apply for export VAT refund or exemption within 30 days of the issuance of its entity file registration:

- Entity file registration;
- Foreign trading entity registration file;
- Operating business license;
- Tax registration certificate;
- Entity basic bank account number; and
- Customs import & export company code.

Please note that there is no requirement for Traders who have already obtained an export VAT refund registration certificate before the issuance of this Circular to go

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through the above application procedures. However, Traders who are operating outside of its approved business scope of activities are required to apply for the export VAT refund or exemption confirmation by applying the above procedures.

When a change occurred in the structure of the Traders, such as dissolution or merger or any other changes; the Traders must proceed to the local tax authorities to apply for modification on its export VAT refund and exemption assessment method within 30 days from the date when the modification in the file registration is made.

Accordingly, prior regulations regarding the registration for export VAT refund promulgated in Circular No. 031 (1994) <Export VAT Refund and Exemption Measures> are deemed to be ineffective upon the issuance of this Circular.

2. In order to enjoy export VAT refund and exemptions, Traders should only use the name registered in the export VAT refund and exemption registration file to conduct export transactions.

3. For manufacturing Traders who are permitted to export its self-manufactured products, their export VAT refund and exemption method should be applied in accordance to current export tax regulations for manufacturing company, which is export VAT “exemption, offset, and refund” method.

For non-manufacturing Traders, their export VAT refund and exemption method should be applied in accordance to current export VAT refund and exemption measures for foreign trading entities.

For Traders who are deemed small-sized VAT taxpayers, their export VAT refund and exemption method should be applied in accordance to current export tax regulations for small-sized taxpayers, that is to be exempted from both VAT and consumption tax.

4. Foreign trading entities that purchase export goods directly from intermediary trading entities should apply their export VAT refund and exemption method in accordance to current export VAT application procedures.

For manufacturing entities that were selected to be experimental targets for export VAT tax refund system, their export VAT refund and exemption method should be applied in accordance to current export tax regulations for manufacturing company, which is export VAT “exemption, offset, and refund” method.

For manufacturing entities that were not selected to be experimental targets for export VAT tax refund system, its permitted scope of export VAT refunds should be made according to the regulations promulgated in Circular No. 1170 (2002) <Export VAT refund on export goods deemed to be self-manufactured>.

5. This Circular is effective from July 1 st , 2004, with the exception of Article 4 of this Circular, which is effective June 1 st , 2004. The “goods exported date” marked on the export goods customs declaration form is deemed to be the effective date.

Procedures for Chinese investment abroad

China has issued rules on the approval procedures for Chinese investment abroad, the press office of the Chinese Ministry of Commerce (MOC) said on Monday (Oct. 11).

The regulation clarified the procedures and documents required for such authorization and confirmed that the MOC will utilize electronic governance measures to simplify the progress and facilitate Chinese overseas investment.

The rules help reform the investment mechanism to be market- oriented and will facilitate Chinese investment abroad, said an official with the MOC, who declined to be named.

增值税

"Zeng Zhi Shui"

(Value Added Tax)

营业税

"Ying Ye Shui"

(Business Tax)

The rules will also serve to create sound condition for management on Chinese overseas investment, he said.

Chinese investment abroad totaled at 3.32 billion US dollars in 2003, scattering in over 160 countries and regions, according to the MOC. Chinese government has been encouraging enterprises to "go abroad" in recent years.(Source: News Guangdong)

LehmanBrown Comment: These new rules will accelerate the trend of Chinese businesses venturing abroad, either seeking new markets for their products, or to purchase established businesses with brands, products or technological know-how which can be brought to China.

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