



China's VAT Reform: The Basics

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雷博國際會計

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The Chinese government recently passed VAT reforms for current general VAT payers' sales activities and imports that are subject to VAT an existing applicable rate of 16% to 10%, to the applicable VAT rate adjusted between 13% to 9% respectively from the 1 April 2019.

The Three Important Changes

1. For the exportation of goods or labour services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%. For the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.
2. The government will keep the tax rate unchanged for the first year at 6% but will ensure that the tax burden of all industries is reduced rather than increased by taking additional measures, such as increasing the tax breaks on production and life services. From April 1, 2019, to December 31, 2021, taxpayers working in a production or living services are allowed to offset the amount of payable tax in accordance with the current deductible input tax plus 10%. "A taxpayer engaged in production or life service" mentioned in this Announcement refers to any taxpayer providing postal, telecommunications, modern, or life services (hereinafter referred to as "Four Services") and whose income from these services accounts for more than 50% of their total sales.
3. Where a taxpayer purchases domestic transit services, its input VAT is allowed to be credited against its output tax.

VAT Invoices and Formulas

It is very important to note that the VAT can only be deducted if the bill is obtained after 1 April 2019. If the taxpayer fails to obtain a proper VAT invoice, its input VAT should be determined for a time according to the provisions below:

- **Electronic Invoices:** In the case that the taxpayer has obtained an electronic VAT invoice, its input VAT should be the tax amount indicated on the invoice.
- **Air Travel Invoices:** In the case that the taxpayer has obtained an E-ticket for air transport with passenger identification information.
 - Formula: Input VAT on air passenger transport = (ticket price + fuel surcharge) ÷ (1+9%) × 9%
- **Rail Travel Invoice:** In the case that the taxpayer has obtained a railway ticket with the passenger identification information.
 - Formula: Input VAT on rail passenger transport = value of the ticket ÷ (1+9%) × 9%
- **Transit Invoice:** In the case that a road, waterway, or other passenger tickets with the passenger identification information is obtained.
 - Formula: Input VAT on road, waterway, or other passenger transport = value of the ticket ÷ (1+3%) × 3%

What Cannot Be Deducted

- **No Identity Information:** Some bills will not print passenger identity information, such as some taxi invoices, and passenger quota invoices, according to the policy provisions, these cannot be deducted from VAT.
- **Welfare Invoices:** Business trip tickets especially used for group welfare, personal consumption or entertainment activities and tax-free items shall not be calculated as VAT deduction.

There Is More

Keep in mind that the above is a brief introduction to the full VAT reform. If you have any questions, please contact us.

Any enquiries, please contact LehmanBrown by enquiries@lehmanbrown.com

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综合多年的国际经验和对中国市场的深刻理解和实践体验,我们向广大国内外的客户提供高质量的专业服务和意见帮助。在雷博国际会计的服务过程中,我们作为市场中的佼佼者,您将得到来自中国本土以及其它国家的高级资深专家热忱的咨询帮助。

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[China Statutory Audit](#)

US GAAP Audit

IFRS Audit

Hong Kong Statutory Audit

Internal Audit

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Royalty Audit

Capital Verification Audit

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Damage Assessment Valuation Intellectual

Property Valuation Asset Valuation

Special Purposes Valuation

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Debt Restructuring

Acquisition, Disposal & Financing

Mergers & Acquisitions

Transaction Advisory

M&A Divesture

M&A Integration

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Chop Custodian Services

Market Entry Advisory

Updating Company Certificates

Annual Inspection & Reporting

Company Secretarial Services

Company Ownership Transferring/Corporate

Restructuring Background/Credit Checking

Company Deregistration & Bankruptcy

HR Support Services

China Visa Services for Expatriates

Social Welfare Structures

Outsourcing Services

Accounting & Bookkeeping

Budgeting & Forecasting Financial Statement

Preparation Head Office Reporting

Financial Management

Interim Financial Management Finance

Manager Function

CFO Function

Treasury Management

Set-up of Bank Account

Payroll Services

Payroll Processing Setup

Expatriate Employees

Local Employees

Taxation Services

Individual Tax Planning (IIT)

Tax Immigration & Investment Review

US & Overseas Personal Income Tax Planning & Filing IIT Tax Payment Facilitation

Application for Individual Income Tax Refund
Expatriate Staff Individual Income Tax Staff

Filing Local Staff Individual Income Tax

Company Taxation (CIT)

Tax Consulting

Corporate Tax Planning

Business Restructuring

Value Chain Review

Onshore / Offshore Investment

Transfer Pricing

Tax Compliance

Tax Due Diligence

Tax Deregistration

Negotiation of Tax Penalties

Tax Refund Application

Tax Representatives for Tax Audit

VAT & Customs Duty Clearance

PRC Tax Receipt Verification

VAT Application

VAT & Sales Tax Filing

Corporate Income Tax Reporting

Specialist Accounting & Risk Management

Internal Controls

Systems

Risk Management

Sarbanes - Oxley (SOX 404)

GAAP, SEC & IFRS Compliance

US GAAP

US GAAP Financial Statement Preparation

US GAAP Conversion

Other GAAP

GAAP Conversion

Public Company Compliance

Financial Statement Preparation

IFRS

IFRS Accounting Repackaging

IFRS Financial Statement Preparation

IFRS Public Company Compliance

SEC

SEC Public Company Compliance

Legal Services

Legal Advisory

Labour Legal Advisory

Workforce Downsizing Advisory

Labour Tribunal Assistance & Advisory

Labour Law Review & Audits

Review & Preparation of Employment Contracts

Corporate Legal Advisory

Legal Due Diligence

Corporate Restructuring Advisory

Review & Preparation of Articles of Association (AoA)

Review & Preparation of JV Contracts

Review & Preparation of Repatriation Agreements

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