PRESS RELEASE

Measures for the Administration of Taxpaying Tutorship Period for General VAT Taxpayer

Beijing, China – Oct 27, 2010

Notice Of The State Administration Of Taxation On Issuing The “Measures For The Administration Of Taxpaying Tutorship Period For General VAT Taxpayer”

The state administration of taxation in all provinces, autonomous regions, municipalities directly under the central government and separately planned cities:

In order to enhance the administration of taxpaying tutorship period for general VAT taxpayers, the “Measures for the Administration of Taxpaying Tutorship Period for General VAT Taxpayer”, which have been formulated by the State Administration of Taxation has issued in accordance with Article 13 of the “Measures for the Administration of Recognition of General VAT Taxpayer Qualification”, are hereby issued to you for your compliance in the implementation.

State Administration of Taxation

7 April 2010

Measures for the Administration of Taxpaying Tutorship Period for General VAT Taxpayer

Article 1 In order to enhance the administration of taxpaying tutorship period for general VAT taxpayers, these Measures are formulated in accordance with Article 13 of the “Measures for the Administration of Recognition of General VAT Taxpayer Qualification” (hereinafter referred to as “Recognition Measures”).

Article 2 These Measures apply to VAT taxpayers subject to the administration of taxpaying tutorship period.

Article 3 “Small-scale trade wholesale enterprise” referred to in Article 13.1 of the Recognition Measures means wholesale enterprises with registered capitals less than 800,000 yuan (including 800,000 yuan).
yuan) and staff number no more than 10 (including 10), except enterprises only engaging in export trade and need not use special VAT invoice.

Wholesale enterprises shall be defined with the method of industrial classification concerning wholesale enterprises as specified in the “Industrial Classification of National Economy” ((GB/T4754-2002)) issued by the National Bureau of Statistics.

Article 4 “Other general taxpayer” referred to in Article 13 of the Recognition Measures means general taxpayers under the following circumstances:

(i) the amount of VAT tax evaded exceeding 100,000 yuan, accounting for more than 10% of that of payable tax;

(ii) gaining export tax rebate by cheating;

(iii) falsely making out VAT deduction certificate; and

(iv) other cases as provided by the State Administration of Taxation.

Article 5 The time limit of taxpaying tutorship period for a small-scale trade wholesale enterprise newly recognized as a general taxpayer shall be 3 months, and that for other general taxpayers 6 six months.

Article 6 The competent tax authority shall notify a newly opened small-scale trade wholesale enterprise of the administration of taxpaying tutorship period on a “Notice on Tax-related Issues” as provided in Article 9.4 of the Recognition Measures, and the herein taxpaying tutorship period shall be implemented from the current month in which the “Notice on Tax-related Issues” is issued by the competent tax authority. For other general taxpayers, the competent tax authority shall, within 40 wording days after a “Written Decision of Tax Inspection” is issued by the inspecting authority, make and deliver a “Notice on Tax-related Issues” to the taxpayer of the administration of taxpaying tutorship period, which shall be implemented as of the next month in which the “Notice on Tax-related Issues” is issued by the competent tax authority.

Article 7 The deducting form of special VAT invoice (hereinafter referred to as special invoice), the special bill of payment of import VAT as well as the settlement documents of transport costs that are obtained by a taxpayer during the tutorship period shall be deducted for input tax only after cross-verification.
Article 8 A taxpayer during the tutorship period shall be subject to administration of special invoice in restricted quantity and amount by the competent tax authority.

(i) the maximum amount of special invoice issued by a small-scale trade wholesale enterprise subject to the administration of taxpaying tutorship period shall be no more than 100,000 yuan, and that issued by other general taxpayers determined again based on the enterprise’s actual situation; and

(ii) each purchase of special invoice by a taxpayer during tutorship period shall be limited in quantity. The competent tax authority may, based on the taxpayer’s operation situation, determine the quantity for each supply of special invoice, and the number of special invoice for each purchase shall be no more than 25.

Where a taxpayer during tutorship period purchases special invoice again when its previously purchased special invoice has not been used up yet, the number of special invoice sold by the competent tax authority shall be no more than the balance between the limit for each purchase of invoice special and the number of special invoice unused up.

Article 9 Where a taxpayer during tutorship period purchase special invoice several times within one month, it shall, as of the purchasing for the second time, pay in advance VAT based on 3% of the amount of sales with special invoice that are purchased and issued last time. Without the advance payment of VAT, the competent tax authority shall not sell special invoice to it again.

To pay VAT in advance, the taxpayer shall provide its purchased and issued special invoice in accounting copy for the calculation of payable advance VAT by the competent tax authority.

Article 10 The VAT paid in advance by the taxpayer during tutorship period in accordance with Article 9 shall be deductible for the current VAT payable. Where there is still balance after the deduction, the VAT paid in advance shall be deducted for the payable advance VAT in the next period when purchasing special invoice again.

After the end of taxpaying tutorship period, where there is balance of VAT paid in advance due to additional purchase of special invoice, the competent tax authority shall, within one month after the end of taxpaying tutorship period, return the balance in full to the taxpayer.

Article 11 A taxpayer during tutorship period shall set up additionally a detail subject of “input tax
amount to be deductible” under the subject of “tax payable” to account the amount of input tax specified or calculated in the deducting copy of special invoice, the bill of payment of import VAT and the settlement documents of transport cost (hereafter referred to as VAT deduction certificate) which have not been cross-verification yet.

The VAT deduction certificate obtained by a taxpayer during tutorship period shall be recorded in the subject of “tax payable----amount of input tax to be deducted” in debit side and relevant subjects in credit side. After cross-verification, it shall be recorded in the subject of “tax payable----VAT payable (input tax amount) in debit side and the subject of “tax payable----input tax amount to be deducted” in credit side. And the input tax amount which are not deductible after verification shall be recorded in red colour in the subject of “tax payable----input tax amount to be deducted” in debt side and relevant subject in credit side.

Article 12 The competent tax authority shall receive the result of cross-verification on a regular basis, access to invoice detail data via access tool of verification results and issued a “Notice on Verification Result” to the taxpayer during tutorship period.

The taxpayer during tutorship period shall file its deductible input tax amount based on the current date of VAT deduction certificate in line with the cross-verification results. The VAT deduction certificate for which the cross-verification result has not received yet shall be kept for the deduction in the next period.

Article 13 The taxpayer during tutorship period shall fill out the “Attached Information to the Declaration Form for Payment of VAT (Table II)” under the following procedures.

(i) the copy number, amount and tax amount of special invoices for which a “Notice on Verification Result” is received and the consistent verification result is stated in the detail list in the current month and well as special invoices deductible as specified in the inspection result shall be filled in the 2nd column;

(ii) the copy number, amount and tax amount of special invoices for which a “Notice on Verification Result” was received and the consistent verification result is stated in the detail list in the previous period and well as special invoices deductible as allowed in the inspection result shall be filled in the 3rd column;

(iii) the “Notice on Verification Result” issued by the tax authority, the special bill of payment of import
VAT stating consistent verification result in the detail list as well as the copy number, amount and tax amount of special invoices deductible as allowed in the inspection result shall be filled in the 5th column;

(iv) no need to fill in the 7th column “invoice of waste material”;

(v) the “Notice on Verification Result” issued by the tax authority, the settlement document of transport costs stating consistent verification result in the detail list as well as the copy number, amount and tax amount of special invoices deductible as allowed in the inspection result shall be filled in the 8th column;

(vi) the balance of special VAT invoice with consistent verification but for which a verification result is not received yet in the beginning of this month shall be filled in the 23rd column;

(vii) the special invoice data with consistent verification but for which a verification result is not received yet in this month shall be filled in the 24th column;

(viii) the balance of special VAT invoice with consistent verification but for which a verification result is not received yet at the end of this month shall be filled in the 25th column;

(ix) the special bill of payment of import VAT for which a verification result is not received yet at the end of this month;

(x) no need to fill in the 30th column “invoice of waste materials”; and

(xi) the settlement documents of transport cost for which a verification result is not received at the end of this month shall be filled in the 31st column.

Article 14 The competent tax authority shall complete the contrast between invoices and relevant forms on an all-in-one service counter in accepting the tax declaration of a taxpayer during tutor period under following requirements.

(i) verifying whether the number of copy, amount and tax amount as specified in the 3rd column of annex II to the “VAT Tax Declaration Form” are equal to or less than the data of deduction copy of special invoice in line with the verification result in this current period;
(ii) verifying whether the number of copy, amount and tax amount as specified in the 5th column of annex II to the “VAT Tax Declaration Form” are equal to or less than the total number of copies of the special bill of payment of import VAT that are in line with the cross verification result and allowed for deduction after the inspection in this current period;

(iii) verifying whether the number of copy, amount and tax amount as specified in the 8th column of annex II to the “VAT Tax Declaration Form” are equal to or less than the total number of copies of the settlement documents of transport costs that are in line with cross-verification result and allowed for deduction after the inspection in this current period; and

(iv) The data on declaration forms more than that of the verification result shall be dealt with as abnormal situation in accordance with the existing contrast between invoices and forms on an all-in-one service counter.

Article 15 During the tutorship period, where a taxpayer is found tax evasion, escaping the recover of tax arrears, gaining export tax rebate by cheating, refusal of tax paying or other illegal activities in violation of tax laws that are necessary to place on file for investigation and will no longer be subject to the administration of taxing tutorship period as of the next month of the expiration, the competent tax authority shall issue and deliver a “Notice on Tax-related Issues” to the taxpayer for notification; where a taxpayer is found tax evasion, escaping the recover of tax arrears, gaining export tax rebate by cheating, refusal of tax paying or other illegal activities in violation of tax laws that are necessary to place on file for investigation and will be subject to the administration of taxing tutorship period as of the next month of the expiration, the competent tax authority shall issue and deliver a “Notice on Tax-related Issues” to the taxpayer for notification.

Article 16 These Measures shall take effect as of 20 March 2010. The following circumstances shall be abolished simultaneously:

“Urgent Notice of the State Administration of Taxation concerning Enhancing the Administration of Collection of VAT on Newly Opened Trade Enterprises” (Guo Shui Fa Ming Dian [2004] No. 37)
“Notice of the State Administration of Taxation on the Implementation of “Contrast First, Deduction Later” for General Taxpayers During Tutorship Period” (Guo Shui Fa Ming Dian [2004] No. 51)
“Supplementary Notice of the State Administration of Taxation on Enhancing the Administration of Collection of VAT on Newly Opened Trade Enterprises” (Guo Shui Fa Ming Dian [2004] No. 62)
“Notice of the State Administration of Taxation on the Implementation of VAT Payment in Advance by General VAT Taxpayers During Tutorship Period for Special VAT invoice” (Guo Shui Han [2005]
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