

PRESS RELEASE

NOTICE OF THE STATE ADMINISTRATION OF TAXATION FOR CLARIFYING THE DISPOSAL OPINIONS ON SEVERAL ARTICLES OF THE MEASURES FOR THE ADMINISTRATION OF THE RECOGNITION OF GENERAL VAT TAXPAYER QUALIFICATION

Beijing, China –Oct 21, 2010

The national taxation bureau of each province, autonomous region, municipality directly under the Central Government and city specifically designated in the state plan:

In order to facilitate the tax authorities of each region in their implementation of the Measures for the Administration of the Recognition of General VAT Taxpayer Qualification (hereafter referred to as the Recognition Measures), the SAT clarifies the disposal opinions on several articles of the Recognition Measures and hereby notify the same as follows for your implementation.

1. “Annual taxable sales” referred to in Article 3 of the Recognition Measures includes the sales under tax returns filing, the sales subject to supplementary tax payment upon tax check, the sales under tax payment assessment adjustment, the sales for which the invoices are issued by tax authorities and the tax-free sales. The sales subject to supplementary tax payment upon tax check and the sales under tax payment assessment adjustment shall be included in the sales for the same month in which the tax returns filing is made for the overdue tax, but shall not be included in the sales for the taxable period.
2. “Operating period” referred to in Article 3 of the Recognition Measures means the period of continuing operation during a taxpayer’s period of existence, including the months in which no sales revenue is obtained.
3. “Other individuals” referred to in Article 5.1 of the Recognition Measures mean natural person.
4. “Non-business unit” referred to in Article 5.2 of the Recognition Measures means administrative units, public institutions, military units, public organizations and other units.
5. “Enterprise not having taxable conducts frequently” referred to in Article 5.3 of the Recognition Measures means non-VAT taxpayer; “Not having taxable conducts frequently” means it has taxable

conducts occasionally.

6. “Filing period” referred to in Article 8.1 of the Recognition Measures means the filing period during which in any month (or quarter) a taxpayer’s annual taxable sales is above the standard for small-scale taxpayers.

7. The Notice on Tax-related Issues to be made by a competent tax authority as provided in Article 8.2 of the Recognition Measures must specify the approval to the recognition application and the time when the general taxpayer qualification is recognized.

8. The Notice on Tax-related Issues to be made by a competent tax authority as provided in Article 8.3(1) of the Recognition Measures must specify that: the taxpayer’s annual taxable sales is above the standard for small-scale taxpayers, and the applicant shall, within 10 days after its receipt of the Notice on Tax-related Issues, file to the competent tax authority an Application Form for Recognition of General VAT Taxpayer or an Application Form for Not Being Recognized as General VAT Taxpayer; Where applicant fails to file the form within the provided time limit, in accordance with Article 34 of the Implementing Rules for the Interim Regulations on Value-added Tax of the People’s Republic of China, its payable tax amount shall be computed based on its sales at the VAT rate, and no input VAT shall be deducted and no special VAT invoice shall be used.

Where a taxpayer fails to file to the competent tax authority an “Application Form for Recognition of General Taxpayer” or an “Application Form for Not Being Recognized as General Taxpayer” within the time limit as provided in the “Notice on Tax-related Issues”, its payable tax amount for sales shall be computed based on its sales at the VAT rate, and no input VAT shall be deducted and no special VAT invoice shall be used till the submission of aforesaid information by the taxpayer and upon the approval of the competent tax authority.

9. “Accountant’s practice qualification certificate” referred to in Article 9.3 of the Recognition Measures means the accounting qualification certificate issued by the authority of Finance.

“Scope of file inspection” referred to in Article 11 of the Recognition Measures means the scope of enterprises necessary for field inspection and the content of field inspection.

10. “Taxpayer of newly opened business” referred to in Article 11 of the Recognition Measures means a taxpayer who apply for the recognition of general taxpayer qualification within 30 days after the date of tax registration.