

China Insight – Chinese Tax Regulation Update



Circular Number	Issuance Date	Effective Date	Topic	What is new?
Decree No. 272 issued by the General Administration of Customs ("GAC")	2024-10-28	2024-12-01	Key updates to administrative measures for taxation on the imported and exported goods	<p>The Decree is a set of new tax administrative measures ("New Measures") introducing significant changes aiming at modernizing tax governance, enhancing compliance and improving operational efficiency for importers and exporters.</p> <p>Below is a summary of the key updates of the New Measures, compared with the original version ("Old Measures"):</p> <ul style="list-style-type: none"> Comprehensive tax coordination <p>The New Measures emphasize inter-department collaboration of the Customs in tax administration, supported by integrated mechanisms and nationwide customs clearance.</p> Implementation of self-declaration mechanism <p>Similar to the tax authorities, the Customs will also shift the tax assessment and approval responsibility to the taxpayers which shall be responsible for the tax calculation and self-declaration. In addition, the taxpayers are allowed to use electronic payment tools and print tax payment certificates independently.</p> Change of the applicable duty rates and the foreign exchange rates <p>Under the New Measures, the applicable duty rate shall be the rate of the "date of completion of declaration" rather than the "date of Customs acceptance of declaration". In particular, under the new Customs Law where two-step import customs declaration</p>

				<p>mechanism (i.e., summary declaration and complete declaration) is introduced, this change indicates that the dutiable rate of the date of completion of summary declaration shall apply. In case the original customs declaration form is cancelled and the new declaration is made, the duty rate adopted in the first declaration form shall apply. In case the customs declaration is made before the arrival of the goods, the duty rate of the date of declaration for the entry of the transportation tool shall apply and the applicable dutiable foreign exchange rate of the date of completion of declaration shall apply.</p> <ul style="list-style-type: none"> • Deadline of consolidated tax payments <p>It is clarified that the tax payment deadline of those enterprises adopting the consolidated tax payment model shall pay taxes within 15 days from the date of completion of declaration or by the 5th working day of the following month.</p> <ul style="list-style-type: none"> • Enhancement of tax enforcement <p>The New Measures have a special chapter on tax enforcement to stipulate in detail the procedures for tax guarantees, payment notices, suspensions, termination of enforcement actions. To strengthen the enforcement, the Measures refine the enforcement processes by introducing the mandatory pre-enforcement reminders for tax collection.</p> <ul style="list-style-type: none"> • Provisions on the period for evaluating the tax liabilities <p>The New Measures clarify that the period for evaluating the tax liabilities should exclude the time spent on audits, investigations and international tax reviews. This provides the Customs with more time to finalize the tax assessments.</p> <ul style="list-style-type: none"> • Clarification of the tax obligations for royalties <p>The New Measures clearly stipulate that the importers must declare royalties related to dutiable goods in accordance with the specified legal provisions.</p>
Cai Shui [2024] No. 28 jointly issued by the Ministry of Finance ("MOF"), the State	2024-11-01	2024-12-01	Water Resource Tax ("WRT") reform	The Circular attached with the Implementation Measures for the Pilot Reform of WRT ("Measures") is issued to strengthen the water conservation, to improve management of water resources and to ensure the sustainable utilization of water resources.

<p>Administration of Taxation ("SAT"), and the Ministry of Water Resources ("MWR")</p>				<p>Below is a summary of the key points of the Measures:</p> <ul style="list-style-type: none"> • Scope of Taxation <ul style="list-style-type: none"> ○ Taxpayers: organizations and individuals directly extracting surface water or ground water; ○ Tax objects: surface water (rivers, lakes, reservoirs, etc.) and groundwater. Notably, non-conventional water sources—such as recycled water, rainwater collection, seawater, and desalinated water—are excluded. Special water categories like geothermal water and mineral water remain subject to resource taxes applicable to minerals. • Situations not subject to WRT <ul style="list-style-type: none"> ○ Water taken by rural collective economic organizations and their members from their ponds or reservoirs; ○ Small-scale water use for household needs or livestock drinking; ○ Water extracted by water management units for resource allocation or re-allocation; ○ Temporary emergency water extraction for ensuring the safety of underground construction or mining operations; ○ Temporary emergency water use to mitigate public safety or public interest hazards; ○ Temporary emergency water use for agricultural drought relief or ecological and environmental protection. • Tax Calculation <ul style="list-style-type: none"> ○ Water Resource Tax is primarily calculated on the volume of water extracted, with specific formulae for different industries. General formula: Tax payable = actual water usage × applicable tax rate • Tax rates <ul style="list-style-type: none"> ○ Rates set regionally, with higher rates for groundwater, overused areas, etc. ○ Elevated rates apply to specific uses, such as car washes, golf courses, etc. • Tax reduction and exemption <ul style="list-style-type: none"> ○ Water used for agricultural production within prescribed limits is subject to tax exemption. ○ Water sourced by the military, armed police and national firefighting rescue
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Cai Shui [2024] No. 31 jointly issued by the MOF, GAC and SAT	2024-11-12	2024-12-01	Expansion of the scope of tax refund at the port of departure	<p>The policy applies to eligible export enterprises classified as Class I or II for tax administration (excluding dishonest enterprises) which ship goods via China Railway Group and its subsidiaries by train from designated ports of departure ("PoDs") to ports of exit ("PoEs"). Dangerous goods are excluded from this policy.</p> <p>Newly added PoDs include Wuxi (Jiangyin) Port, Shantou Port, Guangzhou Huadu Port, Guangzhou Nansha Port, Zhanjiang Port, Jiangmen High-tech Port, Qinzhou Port, and Yangpu Port.</p>
SAT Announcement [2024] No. 11	2024-11-12	2024-12-01	Nationwide rollout of fully digitalized e-invoices	<p>The SAT has decided on the nationwide implementation of fully digitalized e-invoices ("FDEIs") from December 1, 2024.</p> <p>FDEIs, a fully digitalized form of electronic invoices, have the same legal effect as paper invoices and are issued with unified nationwide numbering and intelligent quota allocation. FDEIs will be available in such types as special VAT invoices, normal VAT invoices and others for specific transactions such as vehicle sales or airline tickets. A unified national platform will facilitate free invoice issuance, automatic delivery and verification. Taxpayers can access, download, and print these invoices as needed.</p> <p>To enhance compliance, the SAT will dynamically allocate monthly invoice quotas based on the taxpayers' credit ratings, operational status and risk assessments. Invoice corrections or sales returns / rebates involving red-ink invoices will follow streamlined processes, with all changes traceable and verifiable.</p> <p>Invoices are automatically delivered via the platform, with optional methods such as email or QR</p>

				<p>codes for convenience. Recipients can verify, download, and print invoices at no cost.</p> <p>For credit of input VAT and consumption tax of refined oil and export tax refund, the recipients of the FDEIs must confirm the use of the invoices through their digital tax accounts.</p>
Announcement [2024] No. 15 jointly issued by the MOF and the SAT	2024-11-15	2024-12-01	Adjustments of export tax refund policies	According to the Announcement, export tax refunds for aluminium products, copper products and chemically modified oils and fats from animals, plants or micro-organisms will be cancelled. The export VAT refund rate for certain refined oil, photovoltaic products, batteries and non-metallic mineral products will be reduced from 13% to 9%.

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