

The Law of the People's Republic of China on Enterprise Income Tax

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Chapter One: General Provisions

Article 1: Taxpayers of enterprise income tax shall be enterprises and other organizations that obtain income within the People's Republic of China (hereinafter referred to as "Enterprises") and shall pay enterprise income tax in accordance with the provisions of this Law.

This Law shall not apply to wholly individually-owned enterprises and partnership enterprises.

Article 2: Enterprises are divided into resident enterprises and non-resident enterprises.

For the purposes of this Law, the term "resident enterprises" shall refer to Enterprises that are set up in China in accordance with the law, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in China.

For the purposes of this Law, the term "non-resident enterprises" shall refer to Enterprises that are set up in accordance with the law of the foreign country (region) whose actual administration institution is outside China, but they have set up institutions or establishments in China or they have income originating from China without setting up institutions or establishments in China.

Article 3: Resident enterprises shall pay enterprise income tax originating both within and outside China.

Non-resident enterprises that have set up institutions or premises in China shall pay enterprise income tax in relation to the income originating from China obtained by their institutions or establishments, and the income incurred outside China but there is an actual relationship with the institutions or establishments set up by such enterprises.

Where non-resident enterprises that have not set up institutions or establishments in China, or

where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from China.

Article 4: The rate of enterprise income tax shall be 25%.

Non-resident enterprises that have obtained income in accordance with the provisions of Paragraph Three of Article 3 hereof, the applicable tax rate shall be 20%.

Chapter Two: Taxable Income

Article 5: The balance derived from the total income in each taxable year of Enterprises, after deduction of the non-taxable income, tax exempted income, other deductions and the making up of losses of previous years shall be the taxable income.

Article 6: Income obtained by Enterprises from various sources in monetary and non-monetary terms shall be the total income, including:

- 1.income from sale of goods;
- 2.income from provision of labour services;
- 3.income from transfer of property;
- 4.income from equity investment such as dividend and bonus;
- 5.interest income;
- 6.rental income;
- 7.income from royalties;
- 8.income from donations; and
- 9.other income.

Article 7: The following income from the total income shall not be taxable:

- 1.financial funding;
- 2.administrative fees and government funds obtained and included in financial management in accordance with the law; and
- 3.other non-taxable income prescribed by the State Council.

Article 8: Reasonable expenses that are relevant to the income actually incurred and obtained by Enterprises, including costs, fees, tax payments, losses and other fees may be deducted from the taxable income.

Article 9: In relation to the expenses from charitable donations incurred by Enterprises, the portion within 12% of the total annual profit may be deducted from the taxable income.

Article 10: The following expenses may not be deducted from the taxable income:

- 1.income from equity investment paid to investors such as dividend and bonus;
- 2.payment of enterprise income tax;
- 3.late payment fines;
- 4.penalties; fines and losses from confiscated property;

- 5.expenses from donations other than those prescribed in Article 9 hereof;
- 6.sponsorship fees;
- 7.expenses for non-verified provisions; and
- 8.other expenses irrelevant to the income obtained.

Article 11: Where Enterprises compute the taxable income, the depreciation of fixed assets calculated in accordance with provisions may be deducted.

No depreciation may be deducted for the following fixed assets:

- 1.fixed assets other than premises and buildings that have not yet been used;
- 2.fixed assets leased from other parties by means of business lease;
- 3.fixed assets leased to other parties by means of lease financing;
- 4.fixed assets that have been depreciated in full but are still in use;
- 5.fixed assets that are irrelevant to business activities;
- 6.land credited as fixed assets after independent price valuation;
- 7.other fixed assets whose depreciation may not be calculated.

Article 12: In Enterprises compute the taxable income, the amortization of intangible assets calculated in accordance with provisions may be deducted.

The amortization of the following intangible assets may not be deducted:

- 1.the fees for self development of intangible assets that have been deducted from the taxable income;
- 2.self-created goodwill;
- 3.intangible assets that are irrelevant to business activities; and
- 4.other intangible assets whose amortization fee may not be calculated.

Article 13: Where Enterprises calculate taxable income, the following expenses incurred by Enterprises as long-term fees to be amortized and that are amortized in accordance with provisions may be deducted:

- 1.reconstruction expenses for fixed assets that have been depreciated in full;
- 2.reconstruction expenses for fixed assets leased from other parties;
- 3.heavy repair expenses of fixed assets; and
- 4.other expenses that shall be treated as long-term amortization fees.

Article 14: During the period when Enterprises invest outside the territory, the cost of investment in assets may not be deducted from the taxable income.

Article 15: The inventory used or sold by Enterprises whose cost is calculated in accordance with provisions may be deducted from the taxable income.

Article 16: Where Enterprises transfer assets, the net value thereof may be deducted from the taxable income.

Article 17: Where Enterprises compute the consolidated enterprise income tax, the losses of business institutions outside the territory may not be offset by the profits of business institutions

inside the territory.

Article 18: Where there is a loss in a taxable year of Enterprises, it may be brought forward to the succeeding years and made up by the income of succeeding years, but the limit of bringing forward may not exceed five years.

Article 19: Where non-resident enterprises obtain income provided in Paragraph Three of Article 3 hereof, the taxable income shall be calculated in accordance with the following methods:

1. income from equity investment such as dividend and bonus and interest income, rental income and royalties, the total income shall be the taxable income;
2. income from property transfer, the balance derived from the deduction of net asset value from the total income shall be the taxable income;
3. other income whose taxable income shall be calculated with reference to the previous two methods.

Article 20: The income, specific scope and standard of deduction and the specific method of taxation treatment of assets prescribed in this Chapter shall be provided by the departments in charge of finance and taxation under the State Council.

Article 21: In computing the taxable income, where financial and accounting treatment methods of Enterprises are inconsistent with tax laws and administrative regulations, such taxable income shall be computed in accordance with tax laws and administrative regulations.

Chapter Three: Payable Tax

Article 22: The taxable income of Enterprises shall be the balance derived from the taxable income of Enterprises multiplies the applicable rate and minus the tax amount of tax reduction and exemption pursuant to the preferential tax treatment hereof.

Article 23: The income tax that has been paid outside the territory for the following income obtained by Enterprises may be offset from the payable tax of the current period. The offset limit is the payable tax calculated in accordance with provisions hereof in respect of the income of such item, the portion in excess of the offset limit may be made up by the balance of the offset amount of the current year out of the annual offset limit within the next five years:

1. The taxable income originating outside China by resident enterprises;
2. The taxable income incurred outside China that is obtained by institutions or establishments of non-resident enterprises set up in China with an actual relationship with such institution or establishment.

Article 24: Where income from equity investment such as dividend and bonus originating outside the territory of China is shared by foreign enterprises directly or indirectly controlled by resident enterprises, the portion undertaken by foreign enterprises in the actual income tax actually paid outside the territory by foreign enterprises may be offset in the offset limit prescribed in Article 23 hereof as the income tax that may be offset outside the territory by such resident enterprises.

Chapter Four: Preferential Tax Treatment

Article 25: The industries and projects with key support and under encouraged development by the State may be given preferential enterprise income tax treatment.

Article 26: The following income of Enterprises shall be tax-exempted income:

- 1.income from interests on government bonds;
- 2.income from equity investment income such as dividend and bonus between qualified resident enterprises;
- 3.income from equity investment such as dividend and bonus obtained from resident enterprises by non-resident enterprises that have set up institutions or establishments in China with an actual relationship with such institutions or establishments;
- 4.income of qualified non-profit organizations.

Article 27: The following income may be subject to exempted or reduced enterprise income tax:

- 1.income from engaging in projects of agriculture, forestry, animal husbandry and fisheries by Enterprises;
- 2.income from investment and operation of infrastructure projects with key state support such as harbour, pier, airport, railway, highway, electricity and hydroelectricity by Enterprises;
- 3.income from engaging in qualified projects of environmental protection and energy and water conservation;
- 4.income from qualified transfer of technology by Enterprises; and
- 5.income prescribed by Paragraph Three of Article 3 hereof.

Article 28: Small-scale Enterprises with minimal profits that are qualified are subject to the applicable enterprise income tax rate with a reduction of 20%.

High and new technology Enterprises that require key state support are subject to the applicable enterprise income tax rate with a reduction of 15%.

Article 29: The autonomous authority of ethnic autonomous locality may decide on the reduction or exemption of the portion of enterprise income tax shared by the locality that shall be paid by Enterprises of the ethnic autonomous locality. Where an autonomous prefecture or autonomous county decides on the reduction or exemption, they must report to the people's government of province, autonomous region or municipality directly under the central government for approval.

Article 30: Weighted deduction may be computed in taxable income for the following expenses of Enterprises:

- 1.research and development fees incurred by Enterprises in the development of new technology, new products and new skills; and
- 2.the wages paid by Enterprises for job placement of the disabled and of other personnel encouraged by the State.

Article 31: Venture investment enterprises that engage in venture investment requiring key state

support and encouragement may offset the taxable income at a certain ratio of the investment amount.

Article 32: Where the fixed assets of Enterprises actually require accelerated depreciation due to technology advancement, the years of depreciation may be shortened or the accelerated depreciation method may be adopted.

Article 33: The income obtained by Enterprises from the production of products in line with state industrial policies through comprehensive use of resources may be deducted from the taxable income.

Article 34: The investment by Enterprises on procurement of special facilities for environmental protection, energy and water conservation and safe production may be subject to an offset tax amount at a certain ratio.

Article 35: The specific measures of preferential tax treatment prescribed by this Law shall be formulated by the State Council.

Article 36: Where there is a significant impact on the business activities of Enterprises pursuant to the needs of national economy and social development, or due to unexpected public incidents, the State Council may formulate the special preferential policy of enterprise income tax and report to the Standing Committee of the National People's Congress for the record.

Chapter Five: Tax Withheld at Source

Article 37: The payable income tax from income obtained by non-resident enterprises in accordance with Paragraph Three of Article 3 hereof shall be subject to tax withheld at source, with the payer as the withholding agent. The tax payment shall be withheld from the amount paid or the payable amount due from each tax payment and payable amount of the withholding agent.

Article 38: In respect of the payable income tax from income obtained by non-resident enterprises from project works and labour services in China, the tax authority may designate the payer of project price or labour fee as withholding agent.

Article 39: In respect of the income tax that shall be withheld in accordance with Articles 37 and 38 hereof, where the withholding agent has not withheld or fails to perform the withholding obligation in accordance with the law, the taxpayer shall pay in the place where the tax is incurred. Where the taxpayer does not pay in accordance with the law, the tax authority may pursue the payable tax amount of such taxpayer from the amount payable by the payer of other income projects in China of such taxpayer.

Article 40: The withholding agent shall turn the tax payment withheld to the treasury within 7 days from the day of withholding, and submit a statement of withholding enterprise income tax to the tax authority of the place where it is located.

Chapter Six: Special Tax Payment Adjustment

Article 41: The business transactions between Enterprises and their affiliates that reduce the taxable income or income of such Enterprises and their affiliates not in compliance with independent transaction principle, the taxation authority has the right to make an adjustment in accordance with reasonable methods.

The cost incurred in joint development and transfer of intangible assets, or joint provision and acceptance of labour services by Enterprises and their affiliates shall be shared under the independent transaction principle in computing the taxable income.

Article 42: Enterprises may report to the tax authority the pricing principle and calculation method of the transactions between their affiliates. Upon negotiation and confirmation with the Enterprises, the tax authority may reach the advance pricing arrangement.

Article 43: Where Enterprises submit to the tax authority the annual enterprise income tax return, they shall enclose a statement of the annual business transactions between affiliates in respect of the business transactions of the Enterprises and their affiliates.

Where the tax authority conducts affiliated business investigation, Enterprises and their affiliates, and other enterprises relevant to the affiliated business investigation shall provide the relevant information in accordance with provisions.

Article 44: Where Enterprises fail to provide the information of business transactions of affiliates, or provide false and incomplete information that cannot faithfully reflect the actual affiliated business transaction, the tax authority has the right to verify its taxable income.

Article 45: Where Enterprises controlled by resident enterprises or resident enterprises and Chinese residents in the country (region) where the actual tax burden is obviously lower than the tax rate prescribed by Paragraph One of Article 4 hereof, and profits are not distributed or distributed at a reduced rate due to reasons other than reasonable business needs, the portion of the above profits belonged to such resident enterprises shall be included in the income of such resident enterprises of the current period.

Article 46: The interest fee incurred in excess of the prescribed standard obtained by Enterprises from the loan investment and equity investment of their affiliates may not be deducted from the taxable income.

Article 47: Where Enterprises implement other arrangement without reasonable business objectives to reduce the payable income or income, the tax authority has the right to adjust in accordance with reasonable methods.

Article 48: Where tax payment requires to be levied additionally by tax authority in respect of the tax payment adjustment made in accordance with the provisions of this Chapter, such tax payment shall be levied additionally and interest shall be levied in accordance with the provisions of the

State Council.

Chapter Seven: Administration of Tax Levying and Collection

Article 49: The administration of levy and collection of enterprise income tax shall follow the provisions hereof in addition to the Law of the People's Republic of China on the Administration of Levying and Collection of Tax.

Article 50: Unless otherwise specified by tax laws and administrative regulations, resident enterprises whose place of tax payment is the place of registration of the Enterprise but the place of registration is outside the territory, the place of tax payment shall be the place where the actual administration institution is located.

Where resident enterprises establish business institutions in China without legal person qualification, it shall consolidate the calculation and payment of enterprise income tax.

Article 51: In respect of non-resident enterprises that obtain the income prescribed in Paragraph Two of Article 3 hereof, the place of tax payment shall be the place where the institution or the establishment is located. Non-resident enterprises that set up two or more institutions or establishments in China may, upon the examination and approval of the tax authority, select its main institution or establishment to pay the consolidated enterprise income tax.

Where non-resident enterprises obtain the income prescribed in Paragraph Three of Article 3 hereof, the place of tax payment shall be the place where the withholding agent is located.

Article 52: Enterprises may not pay consolidated enterprise income tax unless otherwise prescribed by the State Council.

Article 53: Enterprise income tax shall be calculated in accordance with the taxable year which starts from 1 January to 31 December of a calendar year.

If an Enterprise commences business or terminates its business activities during the taxable year and the actual business period of such taxable year is less than 12 months, the actual business period shall be treated as a taxable year.

Where the Enterprise is liquidated in accordance with the law, the liquidation period shall be a taxable year.

Article 54: Enterprise income tax shall be prepaid on a monthly or quarterly basis.

Enterprises shall submit a prepaid enterprise income tax return to the tax authority within 15 days of the completion of the month or the quarter to make tax prepayment.

Enterprises shall submit an annual enterprise income tax return to the tax authority within five months of the completion of the year and make the settlement of the payable and refundable tax payment.

Enterprises that submit the enterprise income tax return shall enclose a financial report and other relevant information in accordance with provisions.

Article 55: Where Enterprises terminate business activities in the interim of the year, they shall

handle with the tax authority the settlement and payment of enterprise income tax of the current period within 60 days from the actual termination of business.

Enterprises shall, prior to handling registration cancellation, file a return of the income settled and pay enterprise income tax in accordance with the law.

Article 56: Enterprise income tax paid in accordance with this Law shall be calculated in Renminbi. Where the income is calculated in a currency other than Renminbi, it shall be converted into Renminbi for tax payment.

Chapter Eight: Supplementary Provisions

Article 57: Enterprises set up with approval prior to the promulgation of this Law that enjoy low preferential tax rate in accordance with the tax laws and administrative regulations at the current period may, pursuant to the provisions of the State Council, gradually transit to the tax rate provided herein within five years of the implementation of this Law. Where such enterprises enjoy regular tax exemption and reduction, the treatment continues to apply until expiry after the implementation of this Law. However, those that fail to be entitled to this treatment by reason of not making any profits, the preferential period shall be calculated from the year this Law is implemented.

High and new technology enterprises that are set up in a specific zone in accordance with the law for the purpose of external economic cooperation and technology exchange and that are newly set up and require key state support in the region of special policy of such region specified by the State Council may eligible for transitional treatment and the specific measures shall be provided by the State Council.

Other enterprises under the encouraged category confirmed by the state may eligible for tax exemption and reduction in accordance with the provisions of the State Council.

Article 58: Where agreements on taxation concluded by the People's Republic of China and foreign governments contain different provisions, such agreements shall prevail.

Article 59: The implementing regulations shall be formulated by the State Council on the basis of this Law.

Article 60: This Law shall come into effect as of 1 January 2008. The Law of the People's Republic of China on the Enterprise Income Tax of Foreign-invested Enterprises and Foreign Enterprises adopted at the 4th session of the 7th National People's Congress on 9 April 1991 and the Tentative Regulations of the People's Republic of China on Enterprise Income Tax promulgated by the State Council on 13 December 1993 shall be repealed simultaneously.

Law of the People's Republic of China concerning the Administration of Tax Collection

Order [2001] No.49 of the President of the People's Republic of China

The Law of the People's Republic of China Concerning the Administration of Tax Collection, revised and adopted at the 21st meeting of the Standing Committee of the ninth National People's Congress of the People's Republic of China on April 28, 2001, is hereby promulgated and shall enter into force as of May 1, 2001.

President of the People's Republic of China: Jiang Zemin

April 28, 2001

(Adopted at the 27th meeting of the Standing Committee of the seventh National People's Congress on September 4, 1992; Amended in accordance with the Decisions on Amending the Law of the People's Republic of China Concerning the Administration of Tax Collection made at the 12th meeting of the Standing Committee of the seventh National People's Congress on February 28, 1995; Revised at the 21st meeting of the Standing Committee of the ninth National People's Congress on April 28, 2001)

Chapter I General Provisions

Article 1 This law has been formulated with a view to strengthening the administration of tax collection, regulating tax collection and payment, guaranteeing the tax revenue of the State, protecting the legitimate rights and interests of taxpayers and promoting economic and social development.

Article 2 This Law shall apply to the administration of tax collection in respect of all taxes collected by tax authorities in accordance with the law.

Article 3 The collection of tax or the cessation thereof, the reduction, exemption and refund of tax as well as the payment of tax dodged or overdue shall be implemented in accordance with the law or, if the State Council is authorized by the law to formulate relevant provisions, in accordance with the relevant provisions prescribed in administrative regulations formulated by the State Council. No governmental organs, entities or individuals may be permitted to make without authorization, by violating laws or administrative regulations, decisions regarding the collection of tax or the cessation thereof, the reduction, exemption or refund of tax, the payment of tax dodged or overdue or decisions in conflict with other tax laws or administrative regulations.

Article 4 Entities or individuals obligated to pay taxes prescribed in the laws or administrative regulations are the taxpayers.

Entities or individuals obligated to withhold and remit taxes or collect and remit taxes prescribed in the laws or administrative regulations are the withholding agents.

Taxpayers or withholding agents must pay taxes, or withhold and remit taxes or collect and remit taxes in accordance with the law or the administrative regulations.

Article 5 The competent tax departments under the State Council shall be in charge of the administration of tax collection for the whole country. All the national tax bureaus and local tax bureaus shall respectively administer the tax collection in accordance with the scopes of administration of tax collection stipulated by the State Council. The local people's government at each level shall strengthen its leadership or coordination in the administration of tax collection within its jurisdiction, support the tax authorities in performance of the duties in accordance with the law, and in the computation of the tax amount by national tariff, and the collection of taxes in accordance with the law. The various departments and entities concerned shall support and assist the tax authorities in the performance of the duties in accordance with the law. No entities or individuals shall impede the tax authorities from performing duties in accordance with the law.

Article 6 The State shall systematically furnish the tax authorities at all levels with modern information technologies, strengthen the modernization of the information system on the administration of tax collection, establish and amplify the information communion system between tax authorities and other governmental administrative authorities.

Taxpayers, withholding agents and other relevant entities shall, in accordance with relevant provisions of the State, truthfully provide the tax authorities with information related to tax payment and taxes withheld and remitted or collected and remitted.

Article 7 Tax authorities shall extensively disseminate tax laws and administrative regulations, the knowledge of tax payment, and gratuitously provide taxpayers with consulting services on tax payment.

Article 8 Taxpayers and withholding agents shall have the right to inquire of the tax authorities about the tax laws and administrative regulations of the State as well as the information related to tax payment procedures.

Taxpayers and withholding agents shall have the right to require the tax authorities to maintain confidentiality for the information of the taxpayers and withholding agents. The tax authorities shall maintain confidentiality for the information of the taxpayers and withholding agents in accordance with the law.

Taxpayers shall, in accordance with the law, have the rights to apply for the reduction, exemption and refund of tax.

Taxpayers and withholding agents shall have the right to statement and the right of defense to the decisions made by tax authorities; and shall have the rights to apply for administrative reconsideration, institute administrative litigation, ask for State compensation, etc. in accordance with the law.

Taxpayers and withholding agents shall have the right to bring charges against or make exposure of any tax authority or tax official for violation of laws or disciplines.

Article 9 Tax authorities shall make the effort to make their officials qualified and efficient for their duties.

Tax authorities and tax officials must enforce the law impartially and devote themselves to their duties, be clean and honest, treat people politely, provide services courteously, respect the taxpayers and withholding agents and protect the rights of them, and accept supervisions in accordance with the law.

Tax officials shall not extort or take bribes, commit fraudulence for selfish purposes, neglect their duties, or fail to collect or under collect the taxes payable; nor shall they abuse their powers to over collect taxes or deliberately make difficulties for taxpayers and withholding agents.

Article 10 The tax authorities at all levels shall establish and amplify the administrative system of interior restriction and supervision.

The tax authorities at the upper levels shall supervise the enforcement of the law of the tax authorities at the lower levels in accordance with the law.

The tax authority at each level shall supervise and inspect its officials on the enforcement of laws and administrative regulations as well as their adherence to the principle of honesty and self-discipline.

Article 11 The duties of the officials in a tax authority who are respectively responsible for collection, administration, check and administrative reconsideration shall be clearly defined, and the rights and functions of the said officials shall be separated from each other and checked.

Article 12 Where any tax official has a personal interest with the taxpayer or withholding agent or in the case in violation of tax laws, when collecting taxes or investigating and disposing of a case in violation of tax laws, he shall withdraw.

Article 13 Any entity or individual shall have the right to make exposures of any acts committed in violation of the law or the administrative regulations. The authorities who receive such exposures or who are in charge of investigation and disposition shall keep the secret for the informers. The tax authorities shall grant the informers rewards in accordance with the relevant provisions.

Article 14 The "tax authorities" in this Law means the tax bureaus at all levels, their sub- bureaus, tax stations and tax institutions which are established in accordance with the provisions of the State Council and announced to the society.

Chapter II Tax Administration

Section 1 Tax Registration

Article 15 Any of the enterprises, branches in other localities established by such enterprises, sites engaged in production or business operations, individual businesses as well as institutions engaged in production or business operations (hereinafter referred to as "taxpayers engaged in production or business operations" in general) shall, within 30 days after the receipt of the business license, apply for the tax registration with the tax authority by producing the relevant documents. The tax authority shall, within 30 days as of the receipt of such report, examine and verify the relevant

documents, and issue tax registration certificates.

The administrative authorities for industry and commerce shall regularly inform tax authorities of the registration and issuance of business licenses.

The scope of and methods for tax registration by taxpayers and for tax withholding registration formalities by withholding agents other than those as prescribed in Paragraph 1 of this Article shall be stipulated by the State Council.

Article 16 Where a change occurs in the contents of tax registration of a taxpayer engaged in production or business operations, the taxpayer concerned shall, within 30 days as of the date of completing the formalities for such change in registration with the administrative authority for industry and commerce or prior to the application for cancellation of registration to the administrative authority for industry and commerce, apply for and complete the formalities for the change or cancellation of tax registration with the tax authority by producing the relevant documents.

Article 17 A taxpayer engaged in production or business operations shall, in accordance with relevant provisions of the State, open a basic deposit account and other deposit accounts in a bank or other financial institution by producing the tax registration certificates, and shall report all his account numbers to the tax authority.

The bank or other financial institution shall record the numbers of the tax registration certificates in the accounts of the taxpayer engaged in production or business operations, and shall record the account numbers of the said taxpayer in the tax registration certificates.

When a tax authority is inquiring about the opening of account of a taxpayer engaged in production or business operations in accordance with the law, relevant banks and other financial institutions shall provide their assistance.

Article 18 Taxpayers shall use tax registration certificates in accordance with the provisions formulated by the competent tax departments under the State Council. The tax registration certificates shall not be lent, altered, damaged, traded or forged.

Section 2 Administration of Accounting Books and Supporting Vouchers

Article 19 Taxpayers or withholding agents shall establish accounting books in accordance with relevant laws and administrative regulations, the provisions formulated by the fiscal or tax department under the State Council, keep accounts based on legitimate and valid vouchers and conduct accounting.

Article 20 The financial and accounting systems or methods and the accounting software of a taxpayer engaged in production or business operations shall be submitted to the tax authority for records.

Where the financial and accounting systems or methods of a taxpayer or a withholding agent are in conflict with the relevant tax provisions formulated by the State Council or the fiscal or tax departments under the State Council, the calculation of the tax payable as well as the tax withheld and remitted or collected and remitted shall be made in accordance with the relevant tax

provisions formulated by the State Council or the fiscal or tax departments under the State Council.

Article 21 A tax authority is the authority in charge of invoices, and is responsible for the administration and supervision of the printing, purchase, issuance, acquirement, maintenance, cancellation of invoices.

A entity or individual shall, when purchasing or selling commodities, providing or accepting operational services, and being engaged in other operational activities, issue, use and acquire invoices in accordance with relevant provisions.

The measures on the administration of invoices shall be formulated by the State Council.

Article 22 Special VAT invoices shall be printed by enterprises designated by the competent tax departments under the State Council; other invoices shall be printed by enterprises designated by the tax departments of the people's governments of the provinces, autonomous regions and municipalities directly under the Central Government in accordance with the provisions made by the competent tax departments under the State Council.

No enterprises are permitted to print invoices without authorization by the competent tax departments prescribed in the preceding paragraph.

Article 23 The State may, based on the needs on the administration of tax collection, actively extend and apply tax-control facilities. Taxpayers shall install and use the tax-control facilities in accordance with the provisions, and shall not damage the tax-control facilities or alter them without authorization.

Article 24 Taxpayers or withholding agents engaged in production or business operations must maintain accounting books, supporting vouchers for the accounts, tax payment receipts and other relevant information within the period prescribed by the fiscal or tax departments under the State Council. Accounting books, supporting vouchers for the accounts, tax payment receipts and other relevant information shall not be forged, revised or damaged without authorization.

Section 3 Filing Tax Returns

Article 25 Taxpayers must, in accordance with the laws and administrative regulations, and in keeping with the time limit and contents for filing tax returns determined by the tax authorities in accordance with the provisions in laws and the administrative regulations, truthfully file tax returns, submit tax return statements, financial and accounting statements as well as other information on tax payment required by the tax authorities based on practical needs.

Withholding agents must, in accordance with the laws and administrative regulations, or the time limit and contents for filing tax returns determined by the tax authorities in accordance with the provisions in laws and the administrative regulations, truthfully submit reporting schedules on taxes withheld and remitted or collected and remitted as well as other relevant information required by the tax authorities based on practical needs.

Article 26 Taxpayers and withholding agents may directly file tax returns or submit reporting

schedules on the taxes withheld and remitted or collected and remitted in tax authorities directly or by post, data telegram or by other means in accordance with relevant provisions.

Article 27 Where a taxpayer or withholding agent is unable to file tax returns or to submit reporting schedules on the taxes withheld and remitted or collected and remitted within a prescribed time limit, the filing of the tax returns or the submission of the reporting schedules may be postponed upon check and approval by the tax authority,.

Where the filing of the tax returns or submission of the reporting schedules prescribed in the preceding paragraph is postponed upon check and approval, the taxes shall be prepaid within the period of tax payment in accordance with the amount of taxes actually paid in the last period or assessed by the tax authority, and the tax settlement shall be handled within the postponed period upon check and approval.

Chapter III Tax Collection

Article 28 The tax authorities shall collect taxes in accordance with the laws and administrative regulations. They shall not collect, cease to collect, over collect, under collect, collect in advance, postpone the collection of or apportion taxes in violation of the laws or administrative regulations. The amount of agricultural taxes payable shall be assessed in accordance with the laws and administrative regulations.

Article 29 Except for tax authorities, tax officials and the entities and personnel entrusted by tax authorities in accordance with the law or the administrative regulations, no entity or individual may collect taxes.

Article 30 Withholding agents shall fulfill their obligations of withholding or collecting taxes in accordance with the laws and administrative regulations. The tax authorities shall not impose any tax withholding or collection requirements on the entities or individuals who are not obligated to withhold or collect tax in accordance with the law or the administrative regulations.

When a withholding agent is withholding or collecting taxes in accordance with the law, the taxpayer shall not refuse to pay taxes. If the taxpayer refuses to pay taxes, the withholding agent shall promptly report the case to the tax authority for disposition.

The tax authorities shall, in accordance with the relevant provisions, pay a handling fee to withholding agents for withholding or collecting taxes.

Article 31 A taxpayer or withholding agent shall pay or remit taxes within the time limit prescribed in the laws or administrative regulations, or determined by the tax authority in accordance with the laws and administrative regulations.

Where a taxpayer is unable to pay taxes within a prescribed time limit because of special difficulties, he may, upon approval of the State tax bureau or local tax bureau of a province, autonomous region, municipality directly under the Central Government, defer the tax payment for a period of not more than three months.

Article 32 Where a taxpayer fails to pay taxes or a withholding agent fails to remit taxes within a

prescribed time limit, the tax authority shall, in addition to ordering the taxpayer or withholding agent to pay or remit the taxes within the prescribed time limit, impose a late fee at the rate of 0.05% per day of the amount of taxes in arrears, on the day the tax payment is overdue.

Article 33 A taxpayer may submit a written application for tax reduction or exemption to the tax authority in accordance with the laws and administrative regulations.

Applications for tax reduction or exemption shall be examined and approved by the authorities designated for examination and approval of tax reduction or exemption as prescribed in the laws or administrative regulations. The decisions on tax reduction or exemption made by the people's governments at all local levels, the competent departments of the people's governments at all levels, entities or individuals without authorization and in violation of the laws or administrative regulations shall be null and void. The tax authorities shall not execute such decisions, and shall report to the tax authorities at the upper level.

Article 34 When a tax authority collects taxes, it must issue tax payment receipts to the taxpayers. A withholding agent shall, when withholding or collecting taxes, issue tax withholding or collection vouchers if the taxpayer so requires.

Article 35 Where a taxpayer is in any of the following circumstances, the tax authority shall have the right to assess the amount of taxes payable by the taxpayer:

- (1) accounting books are not required necessarily to be established in accordance with the laws and administrative regulations;
 - (2) accounting books are required by the laws and administrative regulations to be established but have not been established;
 - (3) a taxpayer destroys accounting books without authorization or refuses to provide information on tax payment;
 - (4) although accounting books have been established, the accounting entries have not been entered in an appropriate manner or the information on costs, receipt vouchers and expense vouchers are incomplete, causing difficulties in conducting an audit;
 - (5) a taxpayer who is obligated to pay taxes fails to go through tax filing procedures within a prescribed time limit and, after having been ordered by the tax authority to file tax returns within a prescribed time limit, still fails to file the tax returns within the prescribed time limit;
 - (6) the taxation basis filed by a taxpayer is obviously much lower, and without reasonable ground.
- Specific procedures and methods for tax authorities to assess the amount of taxes payable shall be stipulated by the competent tax departments under the State Council.

Article 36 The receipt or payment of charges or fees in business transactions between an enterprise (or institution or site engaged in production or business operations) established in China by a foreign enterprise and its associated enterprises, shall be made at arm's length prices. Where the receipt or payment of charges or fees is not made at arm's length prices and results in a reduction of the taxable income, the tax authorities shall have the right to make reasonable adjustments.

Article 37 Tax authority shall assess the amount of taxes payable by a taxpayer engaged in

production or business operations who does not apply for tax registration in accordance with relevant provisions or by a taxpayer temporarily engaged in business operations, and shall order them to pay taxes. Where the said taxpayer refuses to pay taxes, the tax authority may distrain his commodities or goods, the value of which shall be equivalent to the amount of taxes payable. Where the amount of taxes payable is paid after the goods or commodities have been distrained, the tax authority must immediately release the distraintment and return the distrained commodities or goods to the entity or individual. Where the amount of taxes payable is still not paid after the distraintment, the commodities or goods which have been distrained may, upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) at the county level or above, be sold by auction or sold off in accordance with the law, the proceeds from the commodities or goods sold by auction or sold off may be used to make good the amount of taxes payable.

Article 38 Where a tax authority has grounds for deeming that a taxpayer engaged in production or business operations has any act of evading tax payment obligations, the tax authority may, prior to the prescribed date of the tax payment, order the taxpayer to pay the taxes payable within a prescribed time limit. In the event that the tax authority discovers there is obvious evidence that the taxpayer has transferred or concealed its taxable commodities, goods and other properties, or taxable income within the prescribed time limit, the tax authority may order the taxpayer to provide a guaranty for tax payment. If the taxpayer is unable to provide a guaranty for tax payment, the tax authority may, upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) at the county level or above, adopt the following preservative measures of taxation:

(1) notify in writing the banks or other financial institutions with which the taxpayer has opened an account to freeze the taxpayer's deposits of an amount equivalent to the amount of taxes payable temporarily;

(2) distrain or seal up the taxpayer's taxable commodities, goods or other properties, the value of which is equivalent to the amount of taxes payable.

If the taxpayer makes the tax payment within the time limit as prescribed in the preceding paragraph, the tax authority must immediately release the preservative measures of taxation. If the taxpayer fails to make the tax payment at the expiration of the time limit, the tax authority may, upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) at the county level or above, notify in writing the bank or other financial institution with which the taxpayer has opened an account to withhold and remit the amount of tax from the taxpayer's deposits which have been frozen, or sell by auction or sell off in accordance with law the commodities, goods or properties which have been distrained and use the proceeds from the commodities, goods or properties sold by auction or sold off to make good the amount of taxes payable.

The necessary lodgings and Article s of an individual and his dependent family members to make a living shall not be within the scope of the preservative measures of taxation.

Article 39 Where a taxpayer has made the tax payment within the time limit, but the tax authority fails to immediately release the preservative measures of taxation, thus causing losses to the legitimate rights and benefits of the taxpayer, the tax authority shall bear compensation liabilities.

Article 40 Where a taxpayer engaged in production or business operations or a withholding agent

fails to pay or remit taxes, or a tax payment guarantor fails to pay the guaranteed amount of taxes within the prescribed time limit, the tax authority shall order him to pay the taxes within a specified time limit. If they fail to pay the taxes within the specified time limit, the tax authority may, upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) at the county level or above, adopt the following mandatory enforcement measures:

(1) notify in writing the bank or other financial institution with which the taxpayer, withholding agent or tax payment guarantor has opened an account to withhold and remit the amount of taxes from its deposits;

(2) distraint, seal up or sell by auction or sell off in accordance with the law the commodities, goods, or other properties of the taxpayer, withholding agent or tax payment guarantor, the value of which shall be equivalent to the amount of taxes payable, and to use the proceeds from the commodities, goods or properties sold by auction or sold off to make good the amount of taxes payable.

At the time when the tax authority is adopting the mandatory measures, it shall adopt the relevant mandatory measures to collect the late fee which has not been paid by the taxpayer, withholding agent or tax payment guarantor.

The necessary lodgings and Article s of an individual and his dependent family members to make a living shall not be within the scope of the mandatory enforcement measures.

Article 41 The power to adopt the preservative measures of taxation or mandatory enforcement measures prescribed in Article 37, 38 and 40 shall not be exercised by any entity or individual other than the statutory tax authorities.

Article 42 Any of the tax authorities must adopt preservative measures of taxation or mandatory enforcement measures according to the legal authority and the legal proceedings, and shall not seal up or distraint the necessary lodgings or Article s of a taxpayer himself and his dependent family members to make a living.

Article 43 Where a tax authority abuses its powers and illegally adopts preservative measures of taxation or mandatory enforcement measures, or improperly adopts preservative measures of taxation or mandatory enforcement measures, thus causing losses to the legitimate rights and interests of a taxpayer, a withholding agent or a tax payment guarantor, it shall bear compensation liabilities in accordance with the law.

Article 44 Where a taxpayer or his legal representative who has not paid the amount of taxes payable needs to leave China, he shall pay the taxes payable and the late fee or provide a guaranty to the tax authority before leaving the country. If the taxpayer neither pays the taxes payable and the late fee nor provides a guaranty, the tax authority may notify the exit authority to stop the taxpayer from leaving the country.

Article 45 When a tax authority is collecting taxes, the taxation shall have precedence over unsecured credits unless otherwise prescribed in the law; if the event which a taxpayer has not paid the amount of tax payable happens before the taxpayer mortgages or pledges his properties or before the taxpayer's properties are retained, the taxation shall be prior to the right of mortgage,

the right of pledge and the lien.

Where a taxpayer has not paid the amount of taxes payable, and meanwhile he is imposed on a fine or confiscation of illegal proceeds upon the decision by an administrative authority, the taxation shall have precedence over the fine and the confiscation of illegal proceeds.

Tax authorities shall regularly announce the circumstances of the unpaid amount of taxes payable by taxpayers.

Article 46 Where a taxpayer has not paid the taxes payable but mortgages or pledges his properties, he shall state the fact of not paying the taxes payable to the mortgagee or the pledgee. The mortgagee or the pledgee may request the tax authority to provide relevant information on the taxpayer's not paying the taxes payable.

Article 47 When distraining commodities, goods or other properties, the tax authority must issue a receipt for the distrained items. When sealing up commodities, goods or other properties, the tax authority must write out a list of these items.

Article 48 Where a taxpayer has the circumstance of merger or division, he shall report to the tax authority, and make a full payment of taxes in accordance with the law. Where the taxpayer fails to make a full payment of taxes at the time of its merger, the merged taxpayer shall continue to perform the unfinished tax payment obligations; where the taxpayer fails to make a full payment of taxes at the time of its division, the divided taxpayers shall bear joint liabilities for the unfinished tax payment obligations.

Article 49 A taxpayer who has not paid a large amount of taxes payable shall report to the tax authority before he disposes of his immovable properties or large amount of assets.

Article 50 Where a taxpayer who has not paid the taxes payable causes any loss to the State taxation due to his idleness in exercising his mature credits, or waiving his mature credits, or gratuitously transferring his properties, or transferring his properties at an obviously unreasonable low price but the transferee knows the fact, the tax authority may exercise its rights of subrogation and rescission in accordance with the provisions in Article 73, 74 of the Contract Law.

Where the tax authority exercises its rights of subrogation and rescission in accordance with the preceding paragraph, the taxpayer who has not paid the taxes payable shall not be released from his tax payment obligations unperformed and the legal liabilities he shall bear.

Article 51 Once the tax authority finds that a taxpayer has paid an amount of taxes in excess of the taxes payable, the authority shall immediately refund the excess amount to the taxpayer. Where a taxpayer discovers that he has paid an amount of taxes in excess of the taxes payable within three years from the date the tax payment has been made, he may claim a refund of the excess amount of taxes from the tax authority plus the bank deposit interest of the time period. Upon examination and verification of the case, the tax authority shall immediately refund the excess amount of taxes. Where refund from the State treasury is involved, the excess amount of taxes shall be refunded in accordance with relevant laws and administrative regulations on the administration of the State treasury.

Article 52 Where a taxpayer or withholding agent fails to pay taxes or underpay taxes due to the fault of the tax authority, the tax authority may, within three years, require the taxpayer or withholding agent to pay the taxes in arrears, but they shall not impose any late fee.

Where a taxpayer or withholding agent fails to pay taxes or underpay taxes due to his own faults, such as making an erroneous calculation, the tax authority may, within three years, pursue the collection of the taxes in arrears and the late fee. In case of any particular circumstance, the period for pursuing the collection of the taxes in arrears may be extended to five years.

For evasion of taxes, refusal to pay taxes and fraudulence of taxes, the tax authorities shall not be restricted by the period prescribed in the preceding paragraph from pursuing the collection of the taxes unpaid or underpaid, the late fee or the fraudulently obtained taxes.

Article 53 The national taxation bureaus and local taxation bureaus shall turn over the collected amount of taxes to the State treasury, according to the scope of administration on tax collection stipulated by the State and the budget levels on the tax amount to be turned over to the State treasury,

For any illegal act on tax payment which is found out by the auditing authority or the fiscal authority, the tax authority shall, based on the decisions or opinions of the relevant authorities, turn over in accordance with the law the amount of taxes to be collected and the late fee to the State treasury based on the budget levels on the tax amount to be turned over to the State treasury, and shall report to the relevant authority about the result in time.

Chapter IV Tax Inspection

Article 54 A tax authority shall have the rights to conduct the following tax inspections:

(1) to inspect a taxpayer's accounting books, supporting vouchers for the accounts, statements and the relevant information; to inspect a withholding agent's accounting books, supporting vouchers for the accounts and the relevant information in respect of the amount of taxes withheld and remitted or collected and remitted;

(2) to inspect a taxpayer's taxable commodities, goods or other properties at the taxpayer's places where production or business operations are conducted and the places where goods are stored; to inspect a withholding agent's operational conditions in respect of the withholding and remittance of taxes or the collection and remittance of taxes;

(3) to order a taxpayer or withholding agent to provide the documents, evidentiary materials and information relating to the payment of taxes or the amount of taxes withheld and remitted or collected and remitted;

(4) to make inquiries of a taxpayer or withholding agent regarding the relevant issues and circumstances relating to the payment of taxes or the amount of taxes withheld and remitted or collected and remitted;

(5) to inspect supporting documents, vouchers and information relating to the taxable commodities, goods or other properties transported by consignment or sent by post by a taxpayer at railway stations, docks, airports, postal services and the branches thereof;

(6) upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) at the county level or above, to inquire about the deposit accounts that a taxpayer engaged in production or

business operations or a withholding agent has opened with the bank or other financial institution, by the nationally uniform permit for the inspection of deposit accounts; when investigating a case in violation of tax laws, a tax authority may, upon approval of the commissioner of a tax bureau (or a sub-bureau thereof) of a city divided into districts or an autonomous prefecture or a level above, inquire about the savings and deposits of the suspects in the case. The information obtained by tax authorities through inquiry shall not be used for purposes other than taxation.

Article 55 Where a tax authority finds that the taxpayer has any act of evading tax payment obligations, and has obvious evidence that the taxpayer has transferred or concealed its taxable commodities, goods and other properties, or taxable income, when conducting a tax inspection on the tax payment of a taxpayer engaged in production or business operations during the past tax payment period in accordance with the law, the authority may adopt preservative measures of taxation or mandatory enforcement measures in accordance with the approved scope of power prescribed in this Law.

Article 56 Taxpayers or withholding agents must accept the tax inspections by the tax authorities in accordance with the law, provide the facts accurately and the relevant information, and shall not refuse to cooperate with the authority or conceal any facts.

Article 57 When the tax authority makes tax inspections in accordance with the law, it shall have the right to investigate relevant entities and individuals about the information of the taxpayers, withholding agents and other parties relating to tax payment and taxes withheld and remitted or collected and remitted. The relevant entities or individuals shall be obligated to truthfully provide the relevant information and evidentiary materials to the tax authority.

Article 58 When investigating a tax case in violation of the law, the tax authority may record, tape-record, video-tape, photograph and reproduce the relevant information and material in respect of the case.

Article 59 When making tax inspection, the officials of the tax authorities shall produce tax inspection identity cards and tax inspection notices, and shall be responsible for maintaining confidentiality for the persons under investigation; where such an official does not produce any tax inspection identity card or tax inspection notice, the party that is to be inspected shall have the right to refuse the inspection.

Chapter V Legal Liabilities

Article 60 The tax authority shall order a taxpayer to correct any of the following acts committed by the taxpayer within a time limit, and may impose a fine of not more than 2,000 Yuan on the taxpayer. If the case is serious, the tax authority may impose a fine with the amount from 2,000 Yuan to 10,000 Yuan on the taxpayer:

- (1) failure to apply for tax registration, or change or cancellation of tax registration within a prescribed time limit;
- (2) failure to establish or maintain accounting books, or maintain supporting vouchers for the

accounts and the relevant information in accordance with the provisions;

(3) failure to report the financial and accounting systems, the financial and accounting methods or the accounting software to the tax authority for future reference in accordance with the provisions;

(4) failure to report all of his bank accounts to the tax authority in accordance with relevant provisions;

(5) failure to install and use the tax-control facilities in accordance with relevant provisions, or damaging the tax-control facilities or altering them without authorization.

Where a taxpayer does not apply for tax registration, he shall be ordered by the tax authority to correct his act; where the taxpayer does not correct his act within a prescribed time limit, the tax authority may ask the administrative authority for industry and commerce to revoke his business license.

Where a taxpayer does not use the tax registration certificates in accordance with the provisions, or if he lends, alters, damages, trades or forges the tax registration certificates, he shall be imposed on a fine with the amount from 2,000 Yuan to 10,000 Yuan; if the case is serious, he shall be imposed on a fine with the amount from 10,000 Yuan to 50,000 Yuan.

Article 61 Where a withholding agent fails to establish and maintain accounting books for the taxes withheld and remitted or collected and remitted, or fails to maintain supporting vouchers for the accounts in respect of the taxes withheld and remitted or collected and remitted in accordance with the relevant provisions, the tax authority shall order the withholding agent to correct the act within a time limit, and may impose a fine of not more than 2,000 Yuan on the withholding agent; if the case is serious, the tax authority may impose a fine with the amount from 2,000 Yuan to 5,000 Yuan on the withholding agent.

Article 62 Where a taxpayer fails to file tax returns or submit the information on tax payment within a prescribed time limit or a withholding agent fails to furnish reporting schedules on the taxes withheld and remitted or collected and remitted or fails to submit the relevant information to the tax authority within the prescribed time limit, the tax authority shall order the taxpayer or withholding agent to correct the acts within the prescribed time limit and may impose a fine of not more than 2,000 Yuan on the taxpayer or withholding agent; if the case is serious, the tax authority may impose a fine with the amount from 2,000 Yuan to 10,000 Yuan on the taxpayer or withholding agent.

Article 63 "Evasion of tax" means that a taxpayer forges, revises, conceals or destroys without authorization the accounting books or supporting vouchers for the accounts, or overstates expenses or does not state or understates income in accounting books, or refuses to file tax returns after having been notified by the tax authority to do so or files fraudulent tax returns, does not pay or underpays the taxes payable. For a taxpayer who evades taxes, the tax authority shall pursue the payment of the taxes unpaid or underpaid, the late fee, and impose a fine with the amount from 50% to five times of the taxes unpaid or underpaid; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Where a withholding agent fails to pay or underpays the taxes which have been withheld or collected by the means specified in the preceding paragraph, the tax authority shall pursue the payment of the taxes unpaid or underpaid and the late fee, and impose a fine with the amount from

50% to five times of the taxes unpaid or underpaid; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 64 Where a taxpayer or a withholding agent works out fraudulent taxation basis, he shall be ordered by the tax authority to correct his acts and be imposed on a fine of 50,000 Yuan or less. Where a taxpayer does not file tax returns, or does not pay or underpays the taxes payable, the tax authority shall pursue the payment of the taxes unpaid or underpaid and the late fee, and impose a fine with the amount from 50% to five times of the taxes unpaid or underpaid.

Article 65 Where a taxpayer fails to pay the taxes payable, or hinders the tax authority from pursuing the payment of the taxes unpaid by means of transferring or concealing the properties, the tax authority shall pursue the payment of the taxes unpaid and the late fee, and impose a fine with the amount from 50% to five times of the taxes unpaid; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 66 For anyone who fraudulently obtains tax refund for export from the State by fraudulently declaring the commodities he produces or operates as export goods or by other deceptive means, the payment of the refunded tax which has been fraudulently obtained shall be pursued by the tax authority, and a fine shall be imposed on him (the amount of the fine shall be the amount of tax fraudulently obtained but it shall not be more than five times of this amount); if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

For anyone who fraudulently obtains tax refund for export from the State, the tax authority may suspend its work on the tax refund for export within the prescribed period.

Article 67 In the case of refusal to pay taxes, which means the refusal to pay taxes by using violence or menace, the tax authority shall pursue the payment of the taxes the taxpayer refused to pay and the late fee, the taxpayer's criminal liabilities shall be investigated in accordance with the law. If the case is slight and the acts do not constitute an offence, the tax authority shall pursue the payment of the taxes the taxpayer refused to pay and the late fee, and impose a fine of the amount of taxes the taxpayer refused to pay, but it shall not be more than five times of this amount.

Article 68 Where a taxpayer or withholding agent which has been ordered by the tax authority to pay, within a prescribed time limit, the amount of taxes which should be paid or remitted but have not been paid or have been underpaid within the time limit, fails to pay the amount of taxes within the time limit, the tax authority may, in addition to pursuing the payment of the amount of taxes the taxpayer or withholding agent has failed to pay or underpaid by the mandatory measures as prescribed in Article 40 of this Law, impose a fine of 50% or more of the amount of taxes which have not been paid or underpaid but not more than five times of the said amount.

Article 69 Where a withholding agent fails to withhold or collect the taxes which should have been withheld or collected, the tax authority shall pursue the payment of taxes from the taxpayer, and impose a fine on the withholding agent with the amount from 50% to five times of the amount of taxes which should have been withheld or collected.

Article 70 Where a taxpayer or a withholding agent evades, refuses or impedes by other means the inspections by the tax authority, the tax authority shall order the taxpayer to correct his acts, and may impose a fine of 10,000 Yuan or less; if the case is serious, a fine with the amount from 10,000 Yuan to 50,000 Yuan shall be imposed.

Article 71 Where invoices are printed illegally in violation of the provisions prescribed in Article 22 of this Law, the tax authority shall destroy the invoices which have been illegally printed, confiscate the illegal proceeds and the tools for printing the false invoices, and impose a fine with the amount from 10,000 Yuan to 50,000 Yuan. If such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 72 Where a taxpayer engaged in production or business operations or a withholding agent has any of the illegal acts on tax payment prescribed in this Law, and refuses to accept the dispositions by the tax authority, the tax authority may take over the invoices from the taxpayer or cease selling invoices to him.

Article 73 Where the bank or other financial institution with which a taxpayer or a withholding agent has opened an account refuses the tax authority to inspect, in accordance with the law, the taxpayer's or withholding agent's deposit account, or refuses to execute the decision made by the tax authority on freezing deposits or withholding taxes, or assists the taxpayer or withholding agent in transferring deposits after receiving written notice from the tax authority, thus causing loss of taxes, the tax authority shall impose a fine on the bank or institution with the amount from 100,000 Yuan to 500,000 Yuan, and a fine on the officials in charge who are directly responsible and other officials directly responsible with the amount from 1,000 Yuan to 10,000 Yuan.

Article 74 Any of the administrative penalties prescribed in this Law with the amount of fine to be 2,000 Yuan or less may be decided by tax stations.

Article 75 The tax authorities and judicial authorities shall turn over the gains from fines and confiscation on taxes to the State treasury by the budget levels on the taxes that should be turned over to the State treasury.

Article 76 Where a tax authority violates the provisions by modifying the scope of administration on tax collection or a budget level on the taxes that should be turned over to the State treasury without authorization, he shall be ordered to correct its acts within a time limit, and the officials in charge who are directly responsible and other officials directly responsible shall be subject to such administrative sanctions as demotion and dismissal from their posts in accordance with the law.

Article 77 Where a taxpayer or a withholding agent has any of the acts prescribed in Article 63, 65, 66, 67, 71 of this Law and is suspected to have committed an offence, the tax authority shall hand over the case to the judicial authority in accordance with the law, and the criminal liabilities shall be investigated.

Where a tax official commits fraudulence for selfish purposes, and does not hand over the case

that should be handed over to the judicial authority for investigation of criminal liabilities, his criminal liabilities shall be investigated if the case is serious.

Article 78 Where anyone collects taxes without being entrusted by a tax authority in accordance with the law, the collector shall be ordered to return the collected properties, and shall be subject to administrative sanctions or administrative penalties in accordance with the law; if such acts cause any loss to the legitimate rights and interests of other people, the collector shall bear compensation liabilities in accordance with the law; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 79 Where a tax authority or a tax official seals up or distrains necessary lodgings or Article s of an individual taxpayer and his dependent family members to make a living, the tax authority or tax official shall be ordered to return the said lodgings or Article 三, and shall be subject to administrative sanctions; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 80 Where a tax official colludes with a taxpayer or withholding agent, or instigates or assists them to commit the acts specified in Article 63, 65, 66 of this Law, and such acts constitute an offence, criminal liabilities of the tax official shall be investigated in accordance with the law. If such acts do not constitute an offence, administrative sanctions shall be imposed on the tax official in accordance with the law.

Article 81 Where a tax official takes advantage of his position and power to accept or extort properties of a taxpayer or withholding agent, or to seek other unjustifiable benefits, and such acts constitute an offence, criminal liabilities of the tax official shall be investigated in accordance with the law. If such acts do not constitute an offence, administrative sanctions shall be imposed on the tax official in accordance with the law.

Article 82 Where tax officials commit fraudulence for selfish purposes or neglect their duties and fail to collect or under collect the taxes payable, thus causing enormous losses in the tax revenue of the State, and such acts constitutes an offence, criminal liabilities of the tax officials shall be investigated in accordance with the law; if such acts do not constitute an offence, administrative sanctions shall be imposed on the tax officials in accordance with the law.

Tax officials who abuse their powers and deliberately create difficulties for taxpayers and withholding agents shall be removed from taxation posts and be subject to administrative sanctions in accordance with the law.

Where a tax official retaliates against the taxpayers, withholding agents or other exposure makers (informers) who make charges against or exposures of his acts in violation of tax laws or tax disciplines, he shall be subject to administrative sanctions; if such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Where a tax official violates the laws or administrative regulations by intentionally over evaluating or under evaluating the taxation output of agricultural taxes, thus causing the taxes over collected or under collected, infringing upon the legitimate rights and interests of the farmers or damaging State benefits, and such acts constitute an offence, criminal liabilities shall be

investigated in accordance with the law; if such acts do not constitute an offence, administrative sanctions shall be imposed on the tax official in accordance with the law.

Article 83 Anyone who violates the laws or administrative regulations by collecting taxes in advance, postponing the collection of taxes or apportioning taxes, he shall be ordered by the authority at the upper level or the administrative supervision authority to correct his acts. The officials in charge who are directly responsible and other officials directly responsible shall be subject to administrative sanctions.

Article 84 Where decisions regarding the collection and cessation of taxes or, the reduction, exemption or refund of taxes, or the payment of taxes underpaid, or decisions in conflict with other tax laws or administrative regulations have been made without authorization and in violation of the laws or administrative regulations, these decisions shall be revoked in accordance with this Law. In addition, the amount of taxes underpaid shall be collected and the amount of taxes over collected shall be refunded. The administrative liabilities of the officials in charge who are directly responsible and other officials directly responsible shall also be investigated by the authorities at the upper level. If such acts constitute an offence, criminal liabilities shall be investigated in accordance with the law.

Article 85 Where any tax official, when collecting taxes or investigating and disposing of a case in violation of tax laws, does not withdraw in accordance with this Law, the officials in charge who are directly responsible and other officials directly responsible shall be subject to administrative sanctions.

Article 86 For anyone who shall be subject to administrative penalties due to his act of violating tax laws or administrative regulations, if such an act has not been found within five years, he shall no longer be subject to administrative penalties.

Article 87 Where any of the officials in charge who are directly responsible or other officials directly responsible fails to maintain confidentiality for the taxpayers, withholding agents or exposure makers in accordance with this Law, such an official shall be subject to administrative sanctions imposed by his working entity or the relevant entity in accordance with the law.

Article 88 If any tax dispute between the tax authority and a taxpayer, withholding agent or tax payment guarantor occurs, the taxpayer, withholding agent or tax payment guarantor must first pay or remit the taxes and the late fee in accordance with the decision on tax payment made by the tax authority, or provide corresponding guaranty, and then after may, apply for an administrative reconsideration in accordance with the law. If they object to the decision made after the administrative reconsideration, they may bring a suit in the people's court in accordance with the law.

Where a party concerned objects to a sanction decision made by the tax authority or to the mandatory measures or measures of taxation by the authority, he may apply for an administrative reconsideration in accordance with the law or bring a suit in the people's court in accordance with the law.

If the party concerned neither applies for an administrative reconsideration of the sanction decision made by the tax authority or brings a suit in the people's court within a prescribed time limit nor complies with the sanction decision, the tax authority which made the sanction decision may adopt the enforcement measures prescribed in Article 40 of this Law, or apply to the people's court for enforcement of the decision.

Chapter VI Supplementary Provisions

Article 89 A taxpayer or withholding agent may appoint a tax agent to handle his tax matters on its behalf.

Article 90 Specific measures on the administration of collection of cultivated land usage tax, deed tax, agricultural tax and animal husbandry tax shall be separately formulated by the State Council. The administration of collection of customs duty and taxes collected by the Customs on behalf of the tax authorities shall be implemented in accordance with relevant provisions prescribed in laws or administrative regulations.

Article 91 If the provisions of the relevant tax treaties or agreements concluded between the People's Republic of China and foreign countries are in conflict with the provisions of this Law, the relevant matters shall be handled in accordance with the treaties or agreements.

Article 92 If the provisions of the tax laws promulgated prior to the enforcement of this Law are in conflict with the provisions of this Law, the provisions of this Law shall be abided by.

Article 93 The rules for the implementation of this Law shall be formulated by the State Council in accordance with this Law.

Article 94 This Law shall enter into force as of May 1, 2001.

Individual Income Tax Law of the People's Republic of China

(Adopted at the Third Session of the Fifth National People's Congress on September 10, 1980.

Revised for the first time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the Fourth Meeting of the Standing Committee of the Eighth National People's Congress on October 31, 1993.

Revised for the second time in accordance with the Decision on Amending the Individual Income Tax Law of the People's Republic of China adopted at the 11th Meeting of the Standing Committee of the Ninth National People's Congress on August 30, 1999)

Article 1 Individual income tax shall be paid in accordance with the provisions of this Law by individuals who, with or without domiciles in the People's Republic of China, have resided in the country for one year or more on their income gained within or outside China.

Individuals who have no domiciles and do not reside in the People's Republic of China or who have no domiciles but have resided in China for less than one year shall pay individual income tax on their income gained within China in accordance with the provisions of this Law.

Article 2 Individual income tax shall be paid on the following categories of individual income:

- (1) income from wages and salaries;
- (2) income from production or business operation conducted by self-employed industrial and commercial households;
- (3) income from contracted or leased operation of enterprises or institutions;
- (4) income from remuneration for personal services;
- (5) income from author's remuneration;
- (6) income from royalties;
- (7) income from interest, dividends and bonuses;
- (8) income from the lease of property;
- (9) income from the transfer of property;
- (10) incidental income; and
- (11) income from other sources specified as taxable by the department of finance under the State Council.

Article 3 Individual income tax rates:

- (1) For income from wages and salaries in excess of the specified amounts, the progressive rates ranging from 5 percent to 45 percent shall apply (see the attached schedule of tax rates) .
- (2) For income of self-employed industrial and commercial households from production or business operation and income of enterprises or institutions from contracted or leased operation that are in excess of the specified amounts, the progressive rates ranging from 5 percent to 35 percent shall apply (see the attached schedule of tax rates).
- (3) For income from author's remuneration, a flat rate which is 20 percent shall apply, and the amount of tax payable shall, however, be reduced by 30 percent.
- (4) For income from remuneration for personal services, a flat rate which is 20 percent shall apply.

Where income gained at one time from remuneration for personal services is extremely high, an additive tax may be levied. Specific measures shall be stipulated by the State Council.

(5) For income from royalties, interest, dividends, bonuses, lease of property, transfer of property, incidental income or income from other sources, a flat rate which is 20 percent shall apply.

Article 4 The following categories of individual income shall be exempted from individual income tax:

(1) awards for achievements in such fields as science, education, technology, culture, public health, sports and environmental protection granted by people's governments at or above the provincial level, ministries and commissions under the State Council, units of the Chinese People's Liberation Army at or above the corps level or by foreign or international organizations;

(2) interest on national debts and financial debentures issued by the State;

(3) subsidies and allowances given according to the uniform regulations of the State;

(4) welfare benefits, pensions for the family of the deceased and relief payments;

(5) insurance indemnities;

(6) military severance pay and demobilization pay for army men;

(7) settlement pay, severance pay, retirement pay, as well as full-pay retirement pension for veteran cadres and their living allowances, received by cadres, staff and workers according to the uniform regulations of the State;

(8) income, exempted from tax according to the provisions of the relevant laws of China, of diplomatic representatives and consular officers and other personnel of foreign embassies and consulates in China;

(9) income exempted from tax as stipulated in the international conventions to which the Chinese Government has acceded or in agreements it has signed; and

(10) income exempted from tax with the approval of the department of finance under the State Council.

Article 5 In any of the following circumstances, individual income tax may be reduced upon approval;

(1) income of the disabled, the aged without families, or family members of martyrs;

(2) suffering great losses from serious natural disasters; or

(3) other cases in which tax reduction is approved by the department of finance under the State Council.

Article 6 The amount of taxable income shall be computed as follows:

(1) For income from wages and salaries, the amount of taxable income shall be the part remaining after deduction of 800 yuan for expenses from a monthly income;

(2) For income from production or business operation gained by self-employed industrial and commercial households, the amount of taxable income shall be the part remaining after deduction of the costs, expenses and losses from the gross income in a tax year;

(3) For income from contracted or leased operation of enterprises or institutions, the amount of taxable income shall be the part remaining after deduction of the necessary expenses from the gross income in a tax year;

(4) For income from remuneration for personal services, author's remuneration, royalties and lease

of property, the amount of taxable income shall be the part remaining after deduction of 800 yuan for expenses from the amount received in a single payment not exceeding 4,000 yuan; or after deduction of 20 percent from the amount for a single payment of 4,000 yuan or more;

(5) For income from the transfer of property, the amount of taxable income shall be the part remaining after deduction of the original value of the property and the reasonable expenses from the income gained from such transfer; and

(6) For interest, dividends, bonuses, incidental income and income from other sources, the amount of taxable income shall be the full amount received in each payment. The part of individual income donated to educational and other public welfare undertakings shall be deducted from the amount of taxable income in accordance with the relevant regulations of the State Council. For taxpayers who have no domiciles in China but obtain wages or salaries within China, or who have domiciles in China but obtain wages or salaries outside China, an additional deduction of expenses may be determined on the basis of the average income level, living standard and the changes in exchange rates. The applicable scope and standard of the additional deduction of expenses shall be prescribed by the State Council.

Article 7 For income gained by taxpayers from outside China, the amount of individual income tax paid outside China shall be permitted to be deducted from the amount of tax payable. The amount to be deducted, however, shall not exceed the amount of tax payable as calculated according to the provisions of this Law on income gained by the taxpayer from outside China.

Article 8 For individual income tax, the income earner shall be the taxpayer and the paying unit or individual shall be the withholding agent. If a taxpayer receives wages or salaries from two or more sources, and there is no withholding agent, the taxpayer shall file returns and pay tax personally.

Article 9 The tax withheld each month by a withholding agent and the tax payable each month by a taxpayer personally filing tax returns shall be turned in to the State Treasury within the first seven days of the following month and the tax returns submitted to the tax authorities. The tax payable on income from wages and salaries shall be turned in on a monthly basis by the withholding agents or by the taxpayers to the State Treasury within the first seven days of the following month and the tax returns submitted to the tax authorities. The tax payable on income from wages and salaries for specified trades may be computed on an annual basis and paid in advance in monthly installments, and specific measures therefor shall be formulated by the State Council. The tax payable on income gained by self-employed industrial and commercial households from production or business operation shall be computed on an annual basis and paid in advance in monthly installments. Such payment shall be made in advance by taxpayers within the first seven days of the following month, and final settlement shall be made within three months after the end of each year. Any excess payment shall be refunded and any deficiency repaid. The tax payable on income of enterprises and institutions from contracted or leased operation shall be computed on an annual basis and turned in by taxpayers to the State Treasury within 30 days after the end of each year and the tax returns submitted to the tax authorities. Taxpayers who gain income from contracted or leased operation in installments during a year shall pay tax in advance within the first seven days after each installment, and final settlement shall be

made within three months after the end of each year; any excess payment shall be refunded and any deficiency repaid. Taxpayers who earn income outside China shall pay tax to the State Treasury within 30 days after the end of each year and submit the tax returns to the tax authorities.

Article 10 All categories of income shall be computed in terms of Renminbi (RMB) . Income in foreign currency shall be taxed on the equivalent amount converted into Renminbi according to the foreign exchange rate quoted by the State Exchange Control Authorities.

Article 11 A service fee of two percent of the amount of tax withheld shall be paid to the withholding agent.

Article 12 The time to start the collection of individual income tax on interest income on savings deposit and measures therefor shall be prescribed by the State Council.

Article 13 The administration of individual income tax collection shall be governed by the provisions of the Law of the People's Republic of China on the Administration of Tax Collection.

Article 14 The State Council shall formulate regulations for implementation in accordance with this Law.

Article 15 This Law shall enter into force as of the day of its promulgation.

Provisional Regulation of the People's Republic of China on Value-added Tax

(Adopted by the 12th Executive Meeting of the State Council on November 26, 1993, promulgated by Decree No. 134 of the State Council of the People's Republic of China on December 13, 1993, and effective on January 1, 1994)

Article 1 All units and individuals which and who, in the territory of the People's Republic of China, sell goods, render services such as processing, repair and spare parts replacement, or import goods, shall be the taxpayers of value-added tax (hereinafter referred to as "taxpayers"), and should pay the value-added tax in accordance with this Regulation.

Article 2 The value-added tax rate shall be --

1. 17% for the taxpayers selling or importing goods, except as otherwise provided for in this Article (2) and (3). or
2. 13% for the taxpayers selling or importing the following goods:
 - (1) grains, edible vegetable oils;
 - (2) tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;
 - (3) books, newspapers, magazines;
 - (4) feeds, chemical fertilizer, agricultural chemicals, agricultural machinery, plastic film for farming purposes;
 - (5) other goods laid down by the State Council. or
3. zero for the taxpayers exporting goods, except as otherwise provided for by the State Council. or
4. 17% for the taxpayers rendering services such as processing, repair or spare parts replacement (hereinafter referred to as the "taxable service"). Any adjustment to the tax rate shall be made only by the State Council.

Article 3 A taxpayer dealing in goods or taxable services under different tax rates shall be required to separately calculate his sales amount of goods or taxable services under different tax rates. If he fails to make such calculation, the highest tax rate shall be applicable.

Article 4 Except as otherwise provided for in Article 13 of this Regulation, the value-added tax chargeable on the goods sold or taxable services rendered by the taxpayer (hereinafter referred to as the "sale of goods or taxable services") shall be the amount remaining from the sales tax amount of current period after deducting the purchases tax amount of current period. Its formula is as follows: Value-added Tax = Sales Tax Amount of Current Period - Purchases Tax Amount of Current Period If the sales tax amount of current period is less than, and insufficient to offset against, the purchases tax amount of current period, the excess amount of purchases tax may be carried forward for set-off in the subsequent period.

Article 5 The sales tax amount of the taxpayer selling goods or taxable services shall be the amount of value-added tax which is assessed in accordance with the sales amount and the tax rate set out in Article 2 of this Regulation and collected from the purchaser. Its formula is as follows:

Sales Tax Amount = Sales Amount X Tax Rate

Article 6 The sales amount shall be the total costs plus all other charges received from the purchasers by the taxpayer selling goods or taxable services, not including the sales tax amount received. The sales amount shall be calculated in Renminbi. The sales amount in foreign currency of a taxpayer shall be converted into the amount in Renminbi in accordance with the exchange rate prevailing in the foreign exchange market for such calculation.

Article 7 If the price of the goods or taxable services sold by the taxpayer is obviously low without proper reasons, the competent tax authority shall calculate his sales amount.

Article 8 The purchases tax amount shall be the amount of value-added tax which is paid or borne by the taxpayer buying goods or receiving taxable services(hereinafter referred to as the "purchase of goods or taxable services").Except as otherwise provided for in Paragraph 3 of this Article, the purchases tax amount that may be deducted from the sales tax amount shall be the amount of value-added tax indicated in --

1. the special value-added tax invoice obtained from the seller; or
2. the tax payment certificate obtained from the customs office. The purchases tax amount deductible for the purchase of tax-free farm products shall be calculated in accordance with the purchasing price and deduction rate of 10%. Its formula is as follows: Purchases Tax Amount = Purchasing Price X Deduction Rate

Article 9 Where a taxpayer, in purchasing goods or taxable services, fails to obtain and retain pursuant to regulations the value-added tax withholding certificate, or where the value-added tax amount and other related items are not indicated on the value-added tax withholding certificate pursuant to regulations, no purchases tax amount may be deducted from the sales tax amount.

Article 10 No purchases tax amount of the following items may be deducted from the sales tax amount:

1. fixed assets purchased;
2. goods or taxable services purchased for non-taxable items;
3. goods or taxable services purchased for tax-free items;
4. goods or taxable services purchased for collective welfare or individual consumption;
5. abnormal loss of goods purchased;
6. goods or taxable services consumed in the production of work-in progress or finished products purchased which suffer abnormal loss.

Article 11 The value-added tax of the small-scale taxpayer selling goods or taxable services shall be assessed in accordance with the simplified method. The criteria for small-scale taxpayers shall be laid down by the Ministry of Finance.

Article 12 The tax rate applicable to the small-scale taxpayers selling goods or taxable services shall be 6%.Any adjustment to such rate shall be made only by the State Council.

Article 13 The value-added tax of the small-scale taxpayer selling goods or taxable services shall be assessed in accordance with the sales amount and the tax rate set out in Article 12 of this Regulation and no purchases tax amount may be deducted. The formula for assessing the tax amount payable is as follows: $\text{Tax Amount Payable} = \text{Sales Amount} \times \text{Tax Rate}$ The sales amount shall be calculated by applying mutatis mutandis the provisions of Articles 6 and 7 of this Regulation.

Article 14 A small-scale taxpayer who maintains a sound accounting and is able to provide accurate taxation records may not, subject to approval of the competent tax authority, be treated as a small-scale taxpayer, and in that case the value-added tax shall be assessed in accordance with the relevant provisions of this Regulation.

Article 15 In the case of the taxpayer importing goods, the value-added tax shall be assessed in accordance with the composite assessable price and the tax rate set out in Article 2 of this Regulation and no tax may be deducted. The formulas for the composite assessable price and for the tax amount payable are as follows: $\text{Composite Assessable Price} = \text{Customs Dutiable Price} + \text{Customs Tariffs} + \text{Consumption Tax}$ $\text{Tax Amount Payable} = \text{Composite Assessable Price} \times \text{Tax Rate}$.

Article 16 The following items shall be relieved from value-added tax:

1. self-produced farm products sold by agricultural producers;
2. contraceptive medicines and devices;
3. antique books;
4. imported instruments and equipment directly used in scientific research, experiment and education;
5. imported materials and equipment from foreign governments and international organizations as assistance free of charge;
6. equipment required to be imported under contract processing, assembly and compensation trade;
7. articles imported directly by organizations for the disabled for special use by them;
8. sale of articles already used by the seller. Except as provided for in the preceding paragraph, the items subject to exemption or reduction from the value-added tax shall be prescribed only by the State Council. No locality or department may prescribe any exemption or reduction from the value-added tax.

Article 17 A taxpayer dealing in tax-exempt or tax-reduced items simultaneously shall calculate his sales amount for tax-exempt or tax-reduced items separately; If he fails to make such calculation, no exemption or reduction may be allowed.

Article 18 A taxpayer whose sales amount has not reached the value-added tax minimum taxable threshold laid down by the Ministry of Finance shall be relieved from the value-added tax.

Article 19 The time at which the liability for paying the value-added tax arises shall be as follows:

1. In the case of selling goods or taxable services, it is the date of receiving sales money or

obtaining the document of title to collect such money.

2. In the case of importing goods, it is the date of import declaration.

Article 20 Value-added tax shall be collected by the tax authorities, and value-added tax chargeable on imported goods shall be collected by the customs offices on behalf of the tax authorities. Value-added tax on self-used articles brought or mailed into China by individuals shall be assessed and collected together with Customs tariffs. The concrete measures shall be formulated by the Tariff Policy Committee of the State Council together with relevant departments.

Article 21 A taxpayer shall, in selling goods or taxable services, issue a special value-added tax invoice to the buyer, and record clearly the sales amount and sales tax amount on such invoice. Where an invoice is needed to issue, an ordinary invoice shall be issued and no special value-added tax invoice may be issued under one of the following circumstances:

1. selling goods or taxable services to consumers;
2. selling tax-free goods;
3. selling goods or taxable services by small-scale taxpayers.

Article 22 Place of payment

1. A business with fixed establishment shall pay the tax to the competent tax authority in the place where its establishment is located. Where the head office and branch offices are not located in the same county (city), they shall pay the tax separately to their respective local competent tax authorities; The head office may, upon approval of the State Administration for Taxation or its authorized tax authority, gather together, and pay the tax to the competent tax authority in the place where the head office is located.

2. A business with fixed establishment selling goods indifferent counties (cities) shall apply for the issuance of an outbound business activities tax administration certificate from the competent tax authority in the place where its establishment is located and shall pay the tax to the competent tax authority in the place where its establishment is located. A business selling goods and taxable services in different counties (cities) without the outbound business activities tax administration certificate issued by the competent tax authority in the place where its establishment is located, shall pay the tax to the competent tax authority in the place where the sales activities take place; the competent tax authority in the place where its establishment is located shall collect the tax which has not been paid to the competent tax authority in the place where the sales activities take place.

3. A business without a fixed establishment selling goods or taxable services shall pay the tax to the competent tax authority in the place where the sales activities take place.

4. In the case of importation of goods, the importer or his agent shall pay the tax to the customs office where the imports are declared.

Article 23 The period for which payment of value-added tax can be made should be one day, three days, five days, 10 days, 15 days or one month. The actual period for a taxpayer shall be ratified by the competent tax authority according to the tax payable of the taxpayer; a taxpayer who cannot make a regular payment may pay the tax on a transaction-by-transaction basis. In the period of one

month, the taxpayer shall pay the tax within 10 days following the end of the period; in the case of the period of one day, three days, five days, 10 days or 15 days, the taxpayer shall prepay the tax within five days following the end of the period and a monthly tax return shall be filed with any balance of tax due settled within 10 days from the first day of the next month.

Article 24 A taxpayer importing goods shall pay the tax within seven days after the issuance of the tax payment certificate by the customs office.

Article 25 A taxpayer exporting goods which the applied tax rate is zero shall, upon completion of export procedures with the customs office, apply for the tax refund on those export goods to the tax authority on a monthly basis based on such relevant documents as the export declaration. The concrete measures shall be formulated by the State Administration for Taxation. Where the return of goods or the withdrawal of the Customs declaration occurs after the completion of the tax refund on the export goods, the taxpayer shall repay the tax refunded according to law.

Article 26 The administration of value-added tax collection shall be governed by the relevant provisions of the Law of the People's Republic of China on the Administration of Collection of Tax and this Regulation.

Article 27 The imposition of value-added tax on enterprises with foreign investment and foreign enterprises shall be governed by the relevant decisions of the Standing Committee of the National People's Congress.

Article 28 The Ministry of Finance is responsible for the interpretation of this Regulation and shall formulate the detailed rules for implementing it.

Article 29 This Regulation shall enter into force on January 1, 1994. The Regulation of the People's Republic of China on Value-added Tax (Draft) and the Regulation of the People's Republic of China on Product Tax (Draft), promulgated by the State Council on September 18, 1984, shall be repealed on the same date.

Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns

Article 1 These Regulations are formulated to rationalize the use of land in cities and towns, to regulate the income differential on land, to improve efficient use of land in use and to strengthen land management.

Article 2 Units and individuals which use land within the boundaries of cities, county towns, towns/bases operated under an organizational system and industrial and mining districts shall be the obligatory payers of tax (hereinafter referred to as taxpayers) on land used within cities and towns (hereinafter referred to as land use tax) and shall pay land use tax in accordance with provisions of these Regulations.

Article 3 Calculation of land use tax shall be based on the actual area of land used by the taxpayer and shall be levied in accordance with the stipulated tax rate.

The work of measuring the area of land in use as referred to above shall be determined by the respective provincial, autonomous region or directly administered municipal people's government in accordance with the actual circumstances.

Article 4 The annual rates for land use tax per square metre of land shall be as follows:

- (1) between 5 jiao* and 10 yuan in large cities;
- (2) between 4 jiao and 8 yuan in medium cities;
- (3) between 3 jiao and 6 yuan in small cities;
- (4) between 2 jiao and 4 yuan in county towns, towns/bases operated under an organizational system and industrial and mining districts.

Article 5 Based on factors such as the amount of municipal construction and the degree of economic prosperity, the various provincial, autonomous region and directly administered municipal people's governments shall determine appropriate tax rate ranges for the districts under their jurisdiction from within the range of tax rates listed above.

Municipal and county people's governments shall divide the land in their district into certain grades based on the actual circumstances and, within the tax rate ranges determined by the provincial, autonomous region and directly administered municipal people's governments, shall formulate appropriate tax rate standards. Details of the rates shall be submitted to the respective provincial, autonomous region or directly administered municipal people's government for approval and implementation.

Subject to approval by the provincial, autonomous region or directly administered municipal people's government, the land use tax rate levied in economically backward districts may be reduced appropriated, but shall not be lowered to more than 30% below the minimum tax rate stipulated in Article 4 of these Regulations. The land use tax rate levied in economically developed districts may be raised appropriately, but the amount shall first be approved by the Ministry of Finance.

Article 6 Land use tax shall be exempted on the following types of land:

- (1) land used by State organs, people's organizations and the armed forces;
- (2) land used by units which have their operating expenses allocated by the State's finance departments;
- (3) land occupied by religious temples and shrines, parks and places of historic interest and scenic beauty;
- (4) publicly used land, such as that for municipal streets, public squares and areas of greenery;
- (5) land directly used in production in the agricultural, forestry, pastoral and fishery industries;
- (6) in the case of land whose reclamation from the sea or transformation from wasteland was approved, land use tax shall be exempted for between 5 and 10 years, to be calculated from the month in which usage commences;
- (7) land which the Ministry of Finance has exempted from tax in other legislation, such as land containing energy resources or land used for transport or water conservancy facilities and other uses.

Article 7 In addition to cases provided for under the provisions of Article 6 of these Regulations, a taxpayer who has genuine difficulty paying the prescribed land use tax may request a reduction of or exemption from the tax for a specific period. After the provincial, autonomous region or directly administered municipal tax organ has examined and verified the circumstances of the case, the details shall be submitted to the State Taxation Bureau for approval.

Article 8 Land use tax shall be calculated annually and paid by instalments. The time limit for payments shall be determined by the provincial, autonomous region or directly administered municipal people's government.

Article 9 Land use tax shall be paid on newly requisitioned land in accordance with the following provisions:

- (1) if cultivated land is requisitioned, land use tax shall begin to be levied one year after the date on which approval to expropriate the land is given.
- (2) if non-cultivated land is requisitioned, land use tax shall begin to be levied the month after approval to expropriate the land is given.

Article 10 Land use tax shall be collected by the local tax organ in the area where the land is located. Land management organs shall provide local tax organs with information on titles to land use rights.

Article 11 Control of the levying of land use tax shall be handled in accordance with the provisions of the Provisional Regulations of the People's Republic of China governing Control of the Levying and Collection of Taxes.

Article 12 Income from land use tax shall come under financial budget control.

Article 13 The Ministry of Finance shall be responsible for interpreting these Regulations. Implementing measures shall be formulated by the people's governments of the various provinces, autonomous regions and directly administered municipalities and the details shall be submitted to

the Ministry of Finance for its records.

Article 14 These Regulations shall take effect from 1 November 1988 and implementation of the land use fee measures formulated by the various districts shall be suspended simultaneously.

* 1 jiao=1/10 of a Renmibi yuan.

Provisional Regulations of the People's Republic of China on Land Value-added Taxes

Decree [1993] No.138 of the State Council

"Interim Regulations of the People's Republic of China on Land Value-Added Taxes" was adopted the at the 12th Executive Meeting of the State Council on November 26, 1993 and is hereby promulgated, and shall come into force on the day of January 1,1994.

Premier of the State Council: Li Peng

December 13, 1993

Article 1 These regulations are formulated to standardize the marketing of land and real estate, reasonably regulate the gains from added value of land and safeguard the rights and interests of the State.

Article 2 Units and individuals (hereinafter referred to as taxpayers) shall pay land value-added taxes on their incomes derived from transference of use rights of State-owned land and property right of buildings and attached installations thereon (hereinafter referred to as transference of real estate) according to stipulations in these regulations.

Article 3 The land value-added taxes are levied on increased values the taxpayers derive from the transference of the real estate at rates specified in Article 7 of these regulations.

Article 4 In calculating the added value, costs and expenses listed in Article 6 of these regulations shall be deducted from the taxpayers gains from the real estate transference.

Article 5 Taxpayers' gains from his real estate transference includes incomes in cash, kind and other forms.

Article 6 Deductions to be made in the calculation of land added-value:

- (1) The lease price paid for the use of the land;
- (2) The cost and expenses spent in the development of the land;
- (3) The cost and expenses in the construction of new buildings and attached installations, or the evaluated prices of old buildings and structures;
- (4) Tax payments involved in the real estate transference;
- (5) Other deductions as prescribed by the Ministry of Finance.

Article 7 Land value-added taxes shall be levied in four progressive levels: The tax rate is 30% for that part of the added value which does not exceed 50% of the deducted amount. The tax rate is 40% for that part of the added value which does not exceed 50% but less than 100% of the deducted amount. The tax rate is 50% for that part of the added value which is greater than 100% but less than 200% of the deducted amount. The tax rate is 60% for that part of the added value

which exceeds 200% of the deducted amount.

Article 8 On one of the following conditions, a taxpayer is exempt from land value-added tax:

- (1) The taxpayer builds houses of ordinary standard for sale and the added value does not exceed 20% of the deducted amount;
- (2) Land and properties recalled and requisitioned by the State according to law for construction purposes.

Article 9 On one of the following conditions, the land value-added tax rates are set according to the evaluated prices of the real estate:

- (1) Concealment and falsification in reporting the transaction prices in real estate transference;
- (2) Untrue reporting of the deducted amount;
- (3) The transaction prices in the real estate transference are lower than the evaluated prices for no justifiable reasons.

Article 10 A taxpayer should declare the real estate transaction at the tax authority in the place where the real estate is located within seven days of the signing of the contract for the transference of the real estate and pay the land value-added tax within the time limit ascertained by the tax office.

Article 11 The land value-added taxes are to be collected by the tax offices. The land and house property administration departments shall supply the tax offices with relevant materials and assist them in the levy of the land value-added taxes according to law.

Article 12 Land and house property administration departments shall not perform the procedure for changes in the proprietary rights for the taxpayers who fail to pay the land value-added tax in accordance with these regulations.

Article 13 The collection and administration of the land value-added taxes shall be carried out according to relevant stipulations in the Law of the People's Republic of China on Tax Collection and Administration and these regulations.

Article 14 The Ministry of Finance is responsible for interpretation of these regulations and in charge of formulating detailed rules for their implementation.

Article 15 These regulations will come into force as of January 1, 1994. All measures of the localities for the collection of the land value-added taxes that contravene these regulations will cease to be effective at the same time.

Interim Regulations of the People's Republic of China on Business Tax

Decree [1993] No.136 of the State Council

Article 1 All units and individuals engaged in the provision of services as prescribed in these Regulations (hereinafter referred to as "taxable services"), the transfer of intangible assets or the sale of immovable properties within the territory of the People's Republic of China shall be taxpayers of Business Tax (hereinafter referred as "taxpayers"), and shall pay the Business Tax in accordance with these Regulations.

Article 2 The taxable items and tax rates of Business Tax shall be determined in accordance with the Table of Taxable Items and Tax Rates of Business Tax attached to these Regulations. Any adjustments to the taxable items and tax rates shall be determined by the State Council. The specific tax rates applicable to taxpayers engaged in entertainment businesses shall be determined by the people's governments of the provinces, autonomous regions and municipalities directly under the Central Government within the range prescribed by these Regulations.

Article 3 For taxpayers engaged in taxable activities under different tax items, the turnover, transfer and sales amounts (hereinafter referred to as "turnover") under different taxable items shall be accounted for separately. If the turnover has not been accounted for separately, the higher tax rate shall apply.

Article 4 For taxpayers providing taxable services, transferring intangible assets or selling immovable properties, the tax payable shall be computed according to the turnover and the prescribed tax rates. The formula for computing the tax payable is as follows: tax payable = turnover * rates. The tax payable shall be computed in Renminbi. The turnover of the taxpayer settled in foreign currencies shall be converted into Renminbi according to the exchange rate prevailing in the foreign exchange market.

Article 5 The turnover of the taxpayers shall be the total consideration and all other charges receivable from the buyers for the provision of taxable services, transfer of intangible assets or sales of immovable properties by the taxpayers, except for the following situations:

(1) For transportation enterprises which carry passengers or cargoes from the territory of the People's Republic of China to overseas locations and trans-ship passengers or cargoes to other transportation enterprises overseas, the turnover shall be the balance of transport charges for the whole journey less the transport charges paid to the sub-contracted transportation enterprises.

(2) For travel enterprises which organize tourist groups to travel outside the territory of the People's Republic of China and sub-contract to other travel enterprises overseas, the turnover shall be the balance of the tourist charges for the whole journey less the payments made to those sub-contracted travel enterprises.

(3) For the main contractors in the construction business who sub-contract work to others, the turnover shall be the balance of the total contract sum less the payments made to the sub-contractors.

(4) For re-lending businesses, the turnover shall be the balance of interest on lending less the

interest on borrowing.

(5) For businesses buying and selling foreign currencies, marketable securities and futures, the turnover shall be the balance of the selling prices less the buying prices.

(6) Other situations as regulated by the Ministry of Finance.

Article 6 The following items shall be exempt from Business Tax:

(1) Nursing services provided by nurseries, kindergartens, homes for the aged, welfare institutions for the handicapped, matchmaking and funeral services.

(2) Services provided on an individual basis by the disabled.

(3) Medical services provided by hospitals, clinics and other medical institutions.

(4) Educational services provided by schools and other educational institutions; and services provided by students participating in work-study programmes.

(5) Agricultural mechanical ploughing, irrigation and drainage, prevention and treatment of plant diseases and insect pests, plant protection, insurance for farming and husbandry, and related technical training services; breeding and the prevention and treatment of diseases of poultry, livestock and aquatic animals.

(6) Admission fees for cultural activities conducted by memorial halls, museums, cultural centres, art galleries, exhibition halls, academies of painting and calligraphy, libraries and cultural protective units; admission fees for cultural and religious activities conducted at places of religious worship.

Except as stipulated in the above paragraphs, the Business Tax exemption and reduction items shall be regulated by the State Council. Local governments or departments shall not regulate any tax exemption or reduction items.

Article 7 For taxpayers engaged in tax-exempt or tax-reduced items, the turnover shall be accounted for separately; if the turnover has not been separately accounted for, no exemption or reduction is allowed.

Article 8 For taxpayers whose turnover has not reached the Business Tax minimum threshold stipulated by the Ministry of Finance, the Business Tax shall be exempt.

Article 9 The time at which a liability to Business Tax arises shall be the date on which the business proceeds are received or documented evidence of the right to collect business proceeds is obtained by the taxpayer.

Article 10 Business Tax shall be collected by the tax authorities.

Article 11 Business Tax withholding agents are as follows:

(1) For financial institutions entrusted to grant loans, the entrusted financial institutions shall be the withholding agents.

(2) For sub-contractors of construction and installation businesses, the main contractors shall be the withholding agents.

(3) Other withholding agents as stipulated by the Ministry of Finance.

Article 12 The place for the payment of Business Tax is as follows:

(1) Taxpayers providing taxable services shall report and pay the tax to the local competent tax authorities where the taxable services take place. Taxpayers engaged in the transportation business shall report and pay tax to the local competent tax authorities where the business establishment is located.

(2) Taxpayers transferring land use rights shall report and pay tax to the local competent tax authorities where the land is located. Taxpayers transferring other intangible assets shall report and pay tax to the local competent tax authorities where the establishment is located.

(3) Taxpayers selling immovable properties shall report and pay tax to the local competent tax authorities where the immovable properties are located.

Article 13 The Business Tax assessable period shall be five days, ten days, fifteen days or one month. The actual assessable period of taxpayers shall be determined by the competent tax authorities according to the magnitude of the tax payable of the taxpayers; tax that cannot be assessed in regular periods may be assessed on a transaction-by-transaction basis.

Taxpayers that adopt one month as an assessable period shall report and pay tax within ten days following the end of the period. If an assessable period of five days, ten days or fifteen days is adopted, the tax shall be prepaid within five days following the end of the period and a monthly tax return shall be filed with any balance of tax due settled within ten days from the first day of the following month. The tax payment deadlines for withholding agents shall be determined with reference to the stipulations of the above two paragraphs.

Article 14 The collection and administration of Business Tax shall be conducted in accordance with the relevant provisions of the Law of the People's Republic of China on Administration of Tax Collection and the relevant provisions of these Regulations.

Article 15 The collection of Business Tax from enterprises with foreign investment and foreign enterprises shall be conducted in accordance with the resolutions of the Standing Committee of the National People's Congress.

Article 16 The Ministry of Finance shall be responsible for the interpretation of these Regulations and for the formulation of the rules for the implementation of these Regulations.

Article 17 These Regulations shall enter into force on January 1, 1994. The Regulations of the People's Republic of China on Business Tax (Draft) promulgated by the State Council on September 18, 1984 shall be repealed simultaneously.

Interim Regulations of the People's Republic of China on Consumption Tax

Decree [1993] No.135 of the State Council

Article 1 All units and individuals engaged in the production, the subcontracting for processing or the importation of items referred to as "taxable consumer goods" within the territory of the People's Republic of China are payers of Consumption Tax in accordance with these Regulations.

Article 2 The taxable items tax rates (tax amounts) of Consumption Tax shall be determined in accordance with the Table of Taxable Items and Tax Rates (Tax Amounts) of Consumption Tax attached to these Regulations. Any adjustments to the Consumption taxable items, tax rates (tax amounts) shall be determined by the State Council.

Article 3 For taxpayers dealing in taxable consumer goods with different tax rates, the sales amounts and sales volumes for the taxable consumer goods shall be accounted for separately. If the sales amounts and sales volumes have not been accounted for separately or if the taxable consumer goods with different tax rates are combined into a whole set of consumer goods for sales, the higher tax rate shall apply.

Article 4 Taxable consumer goods produced by the taxpayer shall be subject to tax upon sales. For self-produced taxable consumer goods for the taxpayer's own use in the continuous production of taxable consumer goods, no tax shall be assessed; tax shall be assessed when the goods are transferred for other use. For taxable consumer goods subcontracted for processing, the tax shall be collected and paid by the subcontractor upon delivery to the contractor. For taxable consumer goods subcontracted for pay, the tax can be credited in accordance with the regulations. Imported taxable consumer goods shall be subject to tax upon import declaration.

Article 5 The computation of tax payable for Consumption Tax shall follow either the rate-on-value or the amount-on-volume method. The formulas for computing the tax payable are as follows: The tax payable computed under the rate-on-value method = Sales Amount * Tax Rate
The tax payable computed under the amount-on-volume method = Sales Volume * Tax Amount
Per Unit For taxable consumer goods sold by taxpayers where the sales amounts are computed in foreign currencies, the taxable amounts shall be converted into Renminbi according to the exchange rates prevailing in the foreign exchange market.

Article 6 The "sales amount" as stipulated in Article 5 of these Regulations shall be the total consideration and other charges receivable from the buyer for the taxable consumer goods sold by the taxpayer.

Article 7 Self-produced taxable consumer goods for the taxpayer's own use that shall be subject to tax in accordance with the stipulations of the first paragraph in Article 4 of these Regulations shall be assessed according to the selling price of similar consumer goods produced by the taxpayer. If the selling price of similar consumer goods is not available, the tax shall be assessed according to the composite assessable value. The formula for computing the composite assessable value is as

follows: Composite assessable value = (Cost + Profit)/(1 - Consumption Tax Rate)

Article 8 Taxable consumer goods subcontracted for processing shall be assessed according to the selling price of similar consumer goods of the subcontractor. If the selling price of similar consumer goods is not available, the tax shall be assessed according to the composite assessable value. The formula for computing the composite assessable value is as follows: Composite assessable value = (Cost of Material + Processing Fee)/(1 - Consumption Tax Rate)

Article 9 Imported taxable consumer goods which adopt the rate-on-value method in computing the tax payable shall be assessed according to the composite assessable value. The formula for computing the composite assessable value is as follows: Composite assessable value = (Customs Dutiable Value + Customs Duty)/(1 - Consumption Tax Rate)

Article 10 Where the taxable value of the taxable consumer goods of the taxpayer is obviously low and without proper justification, the taxable value shall be determined by the competent tax authorities.

Article 11 Taxpayers exporting taxable consumer goods shall be exempt from the Consumption Tax, except as otherwise determined by the State Council. The measures for exemption of exported taxable consumer goods shall be regulated by the State Administration for Taxation.

Article 12 Consumption Tax shall be collected by the tax authorities. Consumption Tax on the importation of taxable consumer goods shall be collected by the customs office on behalf of the tax authorities. Consumption Tax on taxable consumer goods brought or mailed into China by individuals shall be levied together with Customs Duty. The detailed measures shall be formulated by the Tariff Policy Committee of the State Council together with the relevant departments.

Article 13 Taxpayers selling taxable consumer goods and self-produced taxable consumer goods for their own use, except as otherwise determined by the State, shall report and pay tax to the local competent tax authorities governing the taxpayers. For taxable consumer goods subcontracted for processing, the Consumption Tax due shall be paid to the local competent tax authorities where the subcontractors are located. For imported taxable consumer goods, the tax shall be reported and paid by the importers or their agents to the customs offices where the imports are declared.

Article 14 The Consumption Tax assessable period shall be one day, three days, five days, 10 days, 15 days or one month. The actual assessable periods of the taxpayers shall be separately determined by the competent tax authorities according to the magnitude of the tax payable of the taxpayers; tax that cannot be assessed in regular periods can be assessed on a transaction-by-transaction basis. Taxpayers that adopt one month as an assessable period shall report and pay tax within 10 days following the end of the period. If an assessable period of one day, three days, five days, 10 days or 15 days is adopted, the tax shall be prepaid within five days following the end of the period, and a monthly return shall be filed with any balance of tax due settled within 10 days of the first day of the following month.

Article 15 Taxpayers importing taxable consumer goods shall pay tax within seven days after the completion and issuance of the tax payment certificates by the customs office.

Article 16 The collection and administration of Consumption Tax shall be conducted in accordance with the relevant regulations of the Law of the People's Republic of China on Administration of Tax Collection and the relevant provisions of these Regulations.

Article 17 The collection of Consumption Tax from foreign investment enterprises and foreign enterprises shall be conducted in accordance with the resolutions of the Standing Committee of the National People's Congress.

Article 18 The Ministry of Finance shall be responsible for the interpretation of these Regulations and for the formulation of the Rules for Implementation.

Article 19 These Regulations shall enter into force as of January 1, 1994. The relevant provisions of the State Council regarding the collection of Consumption Tax prior to the promulgation of these Regulations shall be nullified on the same date.

Interim Regulations of the People's Republic of China on Stamp Tax

Decree [1988] No.11 of the State Council

Article 1 All units and individuals who execute or receive, within the territory of the People's Republic of China, documents in the categories specified in these Regulations shall be taxpayers subject to stamp tax (hereinafter referred to as "taxpayers"), and shall pay stamp tax in accordance with the provisions of these Regulations.

Article 2 The following categories of documents shall be taxable documents:

- (1) contracts or documents in the nature of a contract with regard to: purchases and sales, the undertaking of processing, contracting for construction projects, property leasing, commodity transport, warehousing, loans, property, insurance, technology;
- (2) documents for transfer of property rights;
- (3) business account books;
- (4) certificates evidencing rights or licences; and
- (5) other documents that are taxable as determined by the Ministry of Finance.

Article 3 According to the nature of the taxable document, taxpayers shall calculate the amount of tax due on the basis of a flat tax rate or a fixed amount per document. Determination the specific tax rate or amount of tax shall be made with reference to the Schedule of Tax Items and Tax Rates accompanying these Regulations.

No stamp tax shall be due where the amount of tax payable does not exceed one jiao.

Where the amount of tax payable is one jiao or more, an odd amount not exceeding five fen shall not be counted; where the odd amount is five fen or more, the tax shall be calculated as one jiao.

Article 4 The following documents shall be exempt from stamp tax:

- (1) duplicates or copies of documents on which stamp tax has already been paid;
- (2) documents executed for the donation of property to the government, social welfare establishments or schools by the property owner;
- (3) other documents which are exempt from stamp tax with the approval of the Ministry of Finance.

Article 5 Measures for the payment of stamp tax shall be implemented whereby taxpayers shall, in accordance with the provisions, calculate the amount of tax payable and purchase and affix at one time the full corresponding amount of tax stamps (hereinafter referred to as "stamping").

In order to simplify the stamping procedures where the amount of tax to be paid is relatively large or where frequent stamping is necessary, taxpayers may apply to the tax authorities to use a tax payment account instead of stamping, or a periodic payment method.

Article 6 "Fax stamps shall be affixed to taxable documents; taxpayers shall cancel each stamp along its border with a seal or a drawn line.

Tax stamps that have already been affixed may not be reused.

Article 7 Tax stamps shall be affixed to taxable documents at the time of execution or upon receipt.

Article 8 Where the same document is executed by two or more parties and each party holds a copy, each party shall be responsible for affixing on its own copy the full amount of tax stamps due.

Article 9 Where a document on which tax stamps have already been affixed is amended, resulting in an increase in the value thereof, additional tax stamps shall be affixed on the document in accordance with the amount of such increase.

Article 10 The tax authorities shall be responsible for the administration of the collection of stamp tax.

Article 11 The State Administration of Taxation shall supervise the printing of the tax stamps. The face value of tax stamps shall be denominated in Renminbi.

Article 12 Units issuing or processing taxable documents shall be responsible for the supervision to taxpayers in respect of the payment of stamp tax in accordance with the law.

Article 13 Where taxpayers are found to have engaged in any of the following, the tax authorities shall impose penalties in light of the seriousness of the case:

(1) in the case of a failure to affix tax stamps, or to affix an insufficient amount of tax stamps, on taxable documents, the tax authorities may, in addition to ordering taxpayers to make up the tax stamps, impose a fine equal to twenty times or less the amount of tax stamps due;

(2) in the case of a violation of the provisions of Paragraph 1 of Article 6 of these Regulations, the tax authorities may impose a fine equal to ten times or less the amount of the tax stamps that have not been cancelled by a seal or a drawn line; and

(3) in the case of a violation of the provisions of Paragraph 2 of Article 6 of these Regulations, the tax authorities may impose a fine equal to thirty times or less the amount of the tax stamps that have been reused.

In a case where tax stamps have been forged, the tax authorities shall submit the matter to the judicial authorities for investigation into criminal liability in accordance with the law.

Article 14 The collection and administration of stamp tax shall, in addition to the provisions of these Regulations, be administered in accordance with the pertinent provisions of the Interim Regulations of the People's Republic of China on Administration of Tax Collection.

Article 15 The Ministry of Finance shall be responsible for the interpretation of these Regulations. The rules for the implementation of these Regulations shall be formulated by the Ministry of Finance.

Article 16 These Regulations shall enter into force as of October 1, 1988.

Notice of the Ministry of Finance and the State Taxation Administration on Relevant Issues Concerning Taxation Policy of the 2010 Shanghai World Expo

F TAX [2005] No. 180

Attention: Finance Offices (Bureaus) of all provinces, autonomous regions, municipalities directly under the central government, cities specifically designated in the state plan, the State Administration of Taxation, Local Tax Bureaus and the Finance Bureaus of Xinjiang Production and Construction Corps:

With a view to ensure the successful holding of the 2010 Shanghai World Expo in China, fully display our achievements in reform and opening-up, carry forward the theme of the World Expo—"Better City Better Life", promote the exchange of economy, society, culture and scientific and technological achievements among all countries and regions, and with the approval of the State Council, we hereby make the following notice on relevant issues concerning taxation policy of the 2010 Shanghai World Expo:

I. The following preferential taxation policies shall apply to the income gained from the World Expo by the Bureau of Shanghai World Expo Coordination and Shanghai World Expo (Group) Co., Ltd entrusted by the former

1. The business tax due to be paid shall be exempted on the income of the Bureau of Shanghai World Expo Coordination gained through cooperatively issuing the commemorative stamps of the World Expo with the State Post Bureau; the VATS due to be paid on selling commemorative coins of the World Expo cooperatively issued with the People's Bank by the Bureau of Shanghai World Expo Coordination shall be refunded after collection.

2. The business tax due to be paid by the Bureau of Shanghai World Expo Coordination on the income gained through transferring the intangible assets franchise in and out of the border shall be exempted.

The VATS and business tax due to be paid by Shanghai World Expo (Group) Co., Ltd shall be exempted on the income gained through selling entrance tickets, leasing pavilions and selling souvenirs of the World Expo inside the World Expo Park entrusted by the Bureau of Shanghai World Expo Coordination.

The VATS in the inland circulation links due to be paid on re-sale of donated and contributed goods and materials of the Bureau of Shanghai World Expo Coordination by Shanghai World Expo (Group) Co., Ltd with the entrustment of the former shall be refunded after collection.

With regard to the income gained through selling assets by the Bureau of Shanghai World Expo Coordination and through selling the assets of the Bureau of Shanghai World Expo Coordination by Shanghai World Expo (Group) Co., Ltd with the entrustment of the former when World Expo closes, the business tax and the increment tax on land value due to be paid by them shall be exempted, and the VATS in the inland circulation links due to be paid by them shall be refunded after collection.

3. The consumption tax due to be paid on cosmetics and skin-care and hair-protection goods processed and produced by inland enterprises with the entrustment of the Bureau of Shanghai World Expo Coordination shall be exempted.

4. The income tax of enterprises due to be paid by the Bureau of Shanghai World Expo Coordination shall be exempted on its income directly for the use of World Expo gained through gratis donation , contribution, the transfer of the intangible assets franchise as well as selling assets after the World Expo, etc..

The income tax of enterprises due to be paid by Shanghai World Expo (Group) Co., Ltd shall be exempted on its income gained through selling entrance tickets of the World Expo, leasing pavilions, selling souvenirs of the World Expo inside the World Expo Park and re-selling donated and contributed goods and materials as well as selling the assets of the Bureau of Shanghai World Expo Coordination by Shanghai World Expo (Group) Co., Ltd with the entrustment of the former. Shanghai World Expo (Group) Co., Ltd shall turn over the income tax of enterprises on the income beyond the above tax-exemption according to relevant provisions.

5. The stamp tax due to be paid by the Bureau of Shanghai World Expo Coordination shall be exempted on its tax payment receipts, such as the business account books used and all contracts signed.

6. The stamp tax due to be paid by Shanghai World Expo (Group) Co., Ltd shall be exempted on its tax payment receipts, such as all contracts signed by it directly related to the World Expo.

II. The following preferential taxation polices shall apply to the Bureau of International Expositions and participants for the 2010 Shanghai World Expo

1. The income tax due to be paid by the Bureau of International Expositions shall be exempted on its shared income gained through selling the entrance tickets of the World Expo.

2. With regard to the capital and material expenditure of donation and contribution to the Bureau of Shanghai World Expo Coordination by enterprises and institutions, mass originations, privately-run non-enterprise units as well as individuals, the taxable income shall be fully deducted in calculation.

3. Individual income tax shall be exempted on the labor payment for the work of participating in the World Expo in the World Expo Park for the foreign work staff of all participant countries who live in China no more than 183 days during the World Expo.

4. Individual income tax shall be exempted for foreign experts on consulting fee and service fee paid by the Bureau of Shanghai World Expo Coordination due to invitation by the Bureau of Shanghai World Expo Coordination engaging in the work of World Expo registration report, planning and design on their income from.

5. Before the closing of the World Expo, urban and township land use tax and property tax due to

be paid shall be exempted on land, property inside the World Expo Park.

6. The stamp tax due to be paid by the property owner and the Bureau of Shanghai World Expo Coordination shall be exempted on the written certificate of the transfer of property right by the owner for donating his/her property to the Bureau of Shanghai World Expo Coordination.

III. This notice shall become effective upon the arrival of the document, the tax already paid shall not be refunded.

IV. Considering that the preferential taxation policies of the 2010 Shanghai World Expo involves many sides and will be implemented for longer time, all finance and taxation departments shall keep close watch on the carrying out of the above preferential taxation polices and report in time to the Ministry of Finance and State Taxation Administration in case of newly arisen matters of taxation and problems present in its implementation.

Please implement it accordingly.

Key Words: Shanghai; World Expo; Taxation; Notice