Announcement on Clarifying Certain Value-Added Tax Matters Such as Non-Taxable Transactions

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Pursuant to the relevant provisions of the Value-Added Tax Law of the People's Republic of China (hereinafter referred to as the "VAT Law") and the Regulations for the Implementation of the Value-Added Tax Law of the People's Republic of China (hereinafter referred to as the "VAT Law Implementation Regulations"), the following matters concerning non-taxable transactions and other value-added tax matters are hereby announced as follows:

1. Where a taxpayer falls under any of the following circumstances, the transaction shall not be deemed a non-taxable transaction whose input tax may not be credited under Article 22 of the VAT Law Implementation Regulations, and the corresponding input tax may be credited against output tax in accordance with the relevant provisions:

(1) receiving insurance compensation in the capacity of an insured;

(2) receiving donations of monetary or non-monetary assets;

(3) obtaining income such as liquidated damages because a contract was not performed and no taxable transaction occurred;

(4) providing services free of charge (excluding the free transfer of financial commodities);

(5) transferring receivables and other claims acquired in connection with the taxpayer's own taxable transactions (excluding securities);

(6) obtaining fiscal subsidies in accordance with the relevant policy provisions, where such subsidies are not directly linked to the revenue or quantity of the taxpayer's sales of goods, services, intangible assets, or immovable property.

2. Where a taxpayer falls under any of the following circumstances, the transaction shall be deemed a non-taxable transaction whose input tax may not be credited under Article 22 of the VAT Law Implementation Regulations, and the corresponding input tax shall not be credited against output tax:

(1) the sale of goods, services, intangible assets, or immovable property does not fall under the circumstances listed in Article 4 of the VAT Law as taxable transactions occurring within the territory of China;

(2) the transfer of equity interests for consideration (excluding securities);

(3) dividends obtained from holding equity interests (excluding securities) and dividends obtained from holding ordinary shares of a company limited by shares (including securities);

(4) commodity futures transactions (excluding the physical delivery stage).

3. The term "agricultural product sales invoice" in VAT deduction vouchers refers to ordinary invoices issued by agricultural producers when selling self-produced agricultural products to which the VAT exemption policy applies.

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4. The terms "skilled workers' schools", "senior skilled workers' schools", and "technician colleges" in the VAT exemption policies include skilled workers' schools and senior skilled workers' schools established with the approval of the human resources and social security administrative departments at or above the provincial level, technician colleges established with the approval of provincial people's governments, and other skilled workers' schools, senior skilled workers' schools, and technician colleges established in accordance with the relevant provisions.

5. The term "first-gate admission revenue" in the VAT exemption policies refers to admission revenue collected when visitors enter the first gate, and does not include admission revenue collected for special exhibitions, special performances, temporary events, or other activities held in specific areas inside the venue.

6. For asset restructuring transactions not subject to VAT in accordance with the relevant provisions, where the transferee of the asset restructuring subsequently transfers the financial commodities involved in the asset restructuring, the purchase price shall be determined based on the purchase price of the transferor in the asset restructuring.

7. The immovable property and land use rights obtained as referred to in the Announcement of the Ministry of Finance and the State Taxation Administration on Matters Concerning the Continuation of Preferential VAT Policies After the Implementation of the VAT Law (Announcement No. 10 of 2026 of the Ministry of Finance and the State Taxation Administration) include immovable property and land use rights obtained in various forms, such as direct purchase, acceptance of donations, acceptance of capital contributions, self-construction, satisfaction of debts, and asset restructuring.

8. Where a general taxpayer elects to waive a VAT preference, it shall submit a written declaration of waiver of the VAT preference, specifying the commencement date of the waiver, and file it with the competent tax authority for record.

9. Where a taxpayer, when selling telecommunications services, gives away goods such as subscriber identity cards and telecommunications terminals, it shall account for all consideration received on a separate basis and calculate and pay VAT at the tax rate applicable to each.

10. Where a taxpayer, in a taxable transaction, separately states the price and the discount amount in the "Amount" column of the same invoice, the sale amount shall be the tax-exclusive price after the discount; where the price and the discount amount are not separately stated in the "Amount" column of the same invoice, the sale amount shall be the tax-exclusive price and the discount amount may not be deducted.

11. This Announcement shall come into force on September 1, 2026. Article 1 of the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Waiver of Tax Exemption Rights by VAT Taxpayers (Cai Shui [2007] No. 127) and other document provisions shall be repealed simultaneously; see the attachment for details. Matters that occurred but had not yet been handled during the period from January 1, 2026 to August 31, 2026 shall be handled in accordance with the provisions of this Announcement.

It is hereby announced.

Attachment: Catalogue of Repealed Documents and Provisions

Ministry of Finance, State Taxation AdministrationAugust 27, 2026

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