Regulations for the Implementation of the VAT Law of the People’s Republic of China

Dan Young Business Consultancy — www.danyoungcpa.com

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

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Chapter I — General Provisions

Article 1 — These Regulations are formulated in accordance with the Value-Added Tax Law of the People’s Republic of China (hereinafter referred to as the VAT Law).

Article 2 — The term “goods” as mentioned in Article 3 of the VAT Law includes tangible movable property, electricity, heat, gas, and the like. The term “services” as mentioned in Article 3 of the VAT Law includes transportation services, postal services, telecommunications services, construction services, financial services, as well as production and living services such as information technology services, cultural and sports services, and appraisal and consulting services. The term “intangible assets” as mentioned in Article 3 of the VAT Law refers to assets without physical form but capable of generating economic benefits, including technology, trademarks, copyrights, goodwill, rights to use natural resources, and other intangible assets. The term “immovable property” as mentioned in Article 3 of the VAT Law refers to assets that cannot be moved or whose nature or shape would change upon movement, including buildings, structures, and the like. The finance and tax authorities under the State Council shall specify the specific scope of goods, services,

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intangible assets, and immovable property, and submit it to the State Council for approval before promulgation and implementation.

Article 3 — The term “units” as mentioned in Article 3 of the VAT Law includes enterprises, administrative organs, public institutions, military units, social organizations, and other units. The term “individuals” as mentioned in Article 3 of the VAT Law includes individual industrial and commercial households and natural persons.

Article 4 — The “consumption of services or intangible assets within the territory” as mentioned in Item (4) of Article 4 of the VAT Law refers to the following circumstances:

- Where an overseas unit or individual sells services or intangible assets to a domestic unit or individual, except for services consumed on-site overseas;
- Where the services or intangible assets sold by an overseas unit or individual are directly related to goods, immovable property, or natural resources within the territory;
- Other circumstances prescribed by the finance and tax authorities under the State Council.

Article 5 — When issuing Value-Added Tax (VAT) special invoices, taxpayers shall separately list the sales amount and the VAT amount.

Article 6 — Taxpayers applying the general tax calculation method are general taxpayers. A registration system is implemented for general taxpayers, and the specific registration measures shall be formulated by the tax authority under the State Council.

Article 7 — Natural persons are small-scale taxpayers. Non-enterprise units that do not frequently engage in taxable transactions and whose main business activities do not fall within the scope of taxable transactions may choose to pay tax as small-scale taxpayers.

Chapter II — Tax Rates

Article 8 — The term “exported goods” as mentioned in Item (4) of Article 10 of the VAT Law refers to goods that are actually declared to customs for export and sold to overseas units or individuals, as well as goods deemed as exported as prescribed by the State Council.

Article 9 — For domestic units or individuals that cross-border sell the following services or intangible assets, the tax rate is zero:

- Research and development services, contract energy management services, design services, broadcasting and film production and distribution services, software services, circuit design and testing services, information system services, business process management services, and offshore service outsourcing operations that are sold to overseas units and completely consumed overseas;
- Technology transferred to overseas units and completely used overseas;
- International transportation services, aerospace transportation services, and external repair and fitting services.

Article 10 — The term “taxable transaction” as mentioned in Article 13 of the VAT Law shall simultaneously meet the following conditions:

- It includes two or more businesses involving different tax rates or collection rates;
- There is a clear principal-ancillary relationship between the businesses. The principal business occupies a dominant position, reflecting the essence and purpose of the transaction; the ancillary business is a necessary supplement to the principal business and is premised on the occurrence of the principal business.

Chapter III — Taxable Amount

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Article 11 — The “VAT deduction vouchers” as mentioned in Article 16 of the VAT Law shall comply with the relevant provisions of the tax authority under the State Council, specifically including VAT special invoices, Customs Import VAT Special Payment Certificates, tax payment receipts, agricultural product purchase invoices, agricultural product sales invoices, and other deduction vouchers with the function of deducting input tax.

Article 12 — The input tax that a taxpayer may deduct from the output tax using VAT deduction vouchers includes:

- The VAT amount stated on the VAT special invoice obtained from the seller;
- The VAT amount stated on the Customs Import VAT Special Payment Certificate obtained from customs;
- The VAT amount stated on the tax payment receipt obtained when purchasing services, intangible assets, or domestic immovable property from overseas units or individuals;
- When purchasing agricultural products, except for obtaining VAT special invoices or Customs Import VAT Special Payment Certificates, the input tax calculated based on agricultural product purchase invoices or agricultural product sales invoices, unless otherwise provided by the State Council;
- The VAT amount stated or included on other VAT deduction vouchers obtained from the seller.

Article 13 — When a taxpayer calculates and pays VAT using the general tax calculation method, the VAT amount refunded to the buyer due to sales discounts, suspensions, or returns shall be deducted from the current output tax; the VAT amount recovered due to sales discounts, suspensions, or returns shall be deducted from the current input tax.

Article 14 — When a taxpayer calculates and pays VAT using the simplified tax calculation method, the sales amount refunded to the buyer due to sales discounts, suspensions, or returns shall be deducted from the current sales amount. If there is still overpaid tax after deducting from the current sales amount, it may be deducted from future tax payable or refunded upon application in accordance with regulations.

Article 15 — The term “total price” as mentioned in Article 17 of the VAT Law does not include the following taxes, fees, or amounts collected on behalf of others by the taxpayer:

- Government funds or administrative fees;
- Consumption tax arising from the entrusted processing of consumer goods subject to consumption tax;
- Vehicle Purchase Tax and Vehicle and Vessel Tax;
- Amounts collected in the name of the principal by issuing an invoice on behalf of the principal.

Article 16 — When a taxpayer adopts a combined pricing method for the sales amount and the VAT amount, the sales amount is calculated using the following formulas: Sales amount under the general tax calculation method = Tax-inclusive sales amount ÷ (1 + Tax rate) Sales amount under the simplified tax calculation method = Tax-inclusive sales amount ÷ (1 + Collection rate)

Article 17 — When a taxpayer settles sales amounts in a currency other than Renminbi, the exchange rate may be the central parity rate of the Renminbi effective on the date the sales amount is incurred or the first day of the month when converting to Renminbi. Once the taxpayer determines the exchange rate, it shall not be changed within 12 months.

Article 18 — When a taxpayer encounters circumstances specified in Article 20 of the VAT Law, the tax authority may, in order, determine the sales amount using the following methods:

- Based on the average price of similar goods, services, intangible assets, or immovable property sold by the taxpayer in the recent period;
- Based on the average price of similar goods, services, intangible assets, or immovable property sold by other taxpayers in the recent period;

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- Based on the composite taxable price. Formula: Composite taxable price = Cost × (1 + Cost profit margin) + Consumption tax amount. The cost profit margin is 10%. The tax authority under the State Council may adjust the cost profit margin based on actual industry cost profit situation.

Article 19 — The term “abnormal losses” refers to situations where goods are stolen, lost, moldy, or deteriorated due to poor management, or where goods or immovable property are confiscated, destroyed, or demolished in accordance with laws and regulations due to violations. Items of abnormal losses include: (1) purchased goods subject to abnormal losses and related services; (2) purchased goods consumed in work in progress and finished products subject to abnormal losses; (3) immovable property subject to abnormal losses and consumed goods; (4) purchased goods consumed for construction in progress of immovable property subject to abnormal losses. Fixed assets refer to machinery, equipment, means of transport, and other tools with useful life exceeding 12 months.

Article 20 — The entertainment and hospitality expenses of a taxpayer are considered as personal consumption as mentioned in the VAT Law.

Article 21 — For a taxpayer’s interest expenses on loan services purchased, as well as fees paid to the lender for investment consulting fees, handling fees, consulting fees, etc., directly related to such loan services, the corresponding input tax shall not be deducted from the output tax for the time being. The finance and tax authorities shall study and evaluate this policy.

Article 22 — When a taxpayer purchases goods, services, intangible assets, or immovable property for non-taxable transactions that meet certain circumstances, the corresponding input tax shall not be deducted from the output tax.

Article 23 — For general taxpayers who purchase goods (excluding fixed assets) and services for simplified method projects, VAT-exempt projects, and non-deductible non-taxable transactions, where it is impossible to distinguish non-deductible input tax, the non-deductible amount shall be calculated based on the proportion of sales amount or revenue each period, and a full-year settlement shall be conducted in January of the following year.

Article 24 — If purchased goods for which input tax has been deducted fall under non-deductible circumstances, the corresponding input tax shall be deducted from the current input tax.

Article 25 — For long-term assets (fixed assets, intangible assets, immovable property) acquired by a general taxpayer that are used both for general calculation projects and for five categories of non-deductible items: if original value ≤ RMB 5 million, input tax may be fully deducted; if original value > RMB 5 million, input tax fully deducted at acquisition, then non-deductible portion calculated annually based on adjustment period.

Chapter IV — Tax Incentives

Article 26 — “Agricultural producers” refer to units and individuals engaged in agricultural production; “agricultural products” refer to primary agricultural products.

Article 27 — “Medical institutions” refer to entities established with medical institution qualification, excluding for-profit cosmetic medical institutions.

Article 28 — “Ancient and old books” refer to ancient books and old books purchased from the public.

Article 29 — “Nurseries and kindergartens” refer to entities with childcare/preschool qualifications; VAT-exempt income refers to fees within prescribed standards. “Elderly care institutions” and “disability service institutions” as defined.

Article 30 — “Schools” refer to entities providing academic education, including technical schools, advanced technical schools, and technician colleges.

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Article 31 — “Ticket income” for cultural venues refers to first gate ticket income.

Article 32 — The scope, standards, conditions of VAT preferential policies shall be disclosed to the public in accordance with the law.

Article 33 — The finance and tax authorities shall timely study and evaluate the effects of VAT preferential policies and report to the State Council for adjustment.

Chapter V — Collection and Administration

Article 34 — Where a unit operates through contracting, leasing, or affiliation, and the contractor conducts business externally in the name of the contract-issuing party and that party bears legal liabilities, the contract-issuing party is the taxpayer; otherwise, the contractor is the taxpayer. For asset management products, the product manager is the taxpayer.

Article 35 — Where a natural person engages in a taxable transaction meeting conditions, the domestic unit that pays the consideration is the withholding agent. Where an overseas unit or individual leases domestic immovable property to a natural person and has a domestic agent, the domestic agent shall declare and pay tax.

Article 36 — If the annual taxable sales volume exceeds the small-scale taxpayer threshold, the taxpayer shall register as a general taxpayer and use the general tax calculation method from the period they exceed the threshold. Once registered as a general taxpayer, they shall not revert to small-scale status.

Article 37 — A taxpayer shall issue an invoice to the purchaser. No VAT special invoice may be issued if: (1) the purchaser is a natural person; (2) the transaction is VAT-exempt; (3) other circumstances prescribed.

Article 38 — Where a taxpayer, after issuing a VAT special invoice, encounters an error, sales discount, suspension, or return, it shall cancel the invoice or issue a red-ink special VAT invoice; otherwise, output tax or sales volume shall not be deducted under Articles 13 and 14.

Article 39 — “Receipt of sales proceeds” means receipt of funds during/after the taxable transaction. “Date of obtaining a voucher for claiming sales proceeds” means the payment date specified in the written contract; if no contract, the date of completion of the taxable transaction.

Article 40 — “Date of completion of a deemed taxable transaction” means the date of delivery of goods, transfer of ownership, completion of transfer of intangible assets, or completion of transfer of immovable property.

Article 41 — Where a taxpayer exports goods and the customs declaration date is earlier than the general tax liability trigger, the tax liability arises on the date of customs declaration for export.

Article 42 — With approval from provincial-level finance/tax departments or State Council, head office may file consolidated tax returns across provinces; within the same province but different counties, with provincial approval.

Article 43 — The following taxpayers may apply a quarter as tax calculation period: (1) small-scale taxpayers; (2) banks, finance companies, trust companies, credit unions; (3) others determined by authorities.

Article 44 — For taxpayers paying tax on a per-transaction basis where sales volume reaches the threshold, they shall declare and pay tax from the date the tax liability arises until June 30 of the following year.

Article 45 — Tax shall be prepaid in circumstances: providing construction services across prefectures; construction services by advance receipts; selling real estate by pre-sale; transferring/leasing immovable property not in same county; oil/gas field enterprises selling services across provinces.

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Article 46 — Where head office files consolidated tax returns, approving department may require branches to prepay tax.

Article 47 — For export business applying tax refund (exemption), the amount shall be calculated using exemption, offset, and refund method or exemption and refund method based on export tax rebate rates prescribed by State Council.

Article 48 — For export business to which taxpayer applies tax refund (exemption) or VAT exemption, declaration shall be made within prescribed time limit; if overdue, VAT shall be paid as domestic sales. Commissioned export rules apply.

Article 49 — Taxpayer may waive tax refund (exemption) for export business and choose VAT exemption or payment; after waiver, cannot reapply for 36 months.

Article 50 — Where a taxable transaction for which tax refund has been processed encounters sales discount, suspension, or return, the taxpayer shall repay the tax refund obtained.

Article 51 — Specific operational measures for export tax refund (exemption) of VAT shall be formulated by the finance department and the tax department of the State Council.

Article 52 — Tax authorities may obtain information related to logistics, customs declarations, freight forwarding, fund settlement for export tax administration; relevant units shall provide information. Confidentiality required.

Article 53 — Where a taxpayer implements an arrangement without a reasonable commercial purpose to reduce, exempt, defer VAT or obtain an excessive refund, the tax authority may make adjustments under the Tax Collection and Administration Law.

Chapter VI — Supplementary Provisions

Article 54 — These Regulations shall come into effect as of January 1, 2026. Disclaimer: This English translation of the “Regulations for the Implementation of the Value-Added Tax Law of the People’s Republic of China” (Decree No. 826) is provided for informational purposes only. In case of any discrepancy, the official Chinese text shall prevail. For specific tax advice concerning foreign-invested enterprises and cross-border transactions, consult our licensed tax lawyer. © 2026 DAN YOUNG BUSINESS CONSULTANCY – authoritative guidance on China VAT, cross-border tax, and FIE compliance.

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