Value-Added Tax Law of the People’s Republic of China

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

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The Value-Added Tax Law of the People’s Republic of China was adopted at the 13th Meeting of the Standing Committee of the 14th National People’s Congress on December 25, 2024, and is hereby promulgated, effective as of January 1, 2026.

Effective: January 1, 2026

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Chapter I — General Provisions

Article 1 — This Law is enacted to improve the value-added tax system conducive to high-quality development, regulate the collection and payment of value-added tax, and protect the lawful rights and interests of taxpayers.

Article 2 — The work on value-added tax shall implement the guidelines, policies, decisions, and arrangements of the Party and the State and serve the national economic and social development.

Article 3 — Entities and individuals (including individual businesses) that sell goods, services, intangible assets, or immovable property (hereinafter referred to as taxable transactions) within the territory of the People’s Republic of China (hereinafter referred to as the territory), or import goods, are taxpayers of value-added tax and shall pay value-added tax in accordance with the provisions of this Law.

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Article 4 — The occurrence of a taxable transaction within the territory refers to any of the following circumstances:

Article 5 — Any of the following circumstances shall be deemed as taxable transactions and shall be subject to value-added tax in accordance with the provisions of this Law:

Article 6 — Any of the following circumstances shall not be considered taxable transactions and no value-added tax shall be levied:

Article 7 — Value-added tax is an off-price tax, and the sales amount of a taxable transaction does not include the value-added tax amount. The value-added tax amount shall be separately stated in the transaction voucher in accordance with the provisions of the State Council.

Article 8 — When a taxpayer engages in a taxable transaction, unless otherwise provided in this Law, the taxpayer shall calculate and pay value-added tax using the general tax computation method, which calculates the tax payable by offsetting the input tax amount against the output tax amount.

Article 9 — For the purposes of this Law, “small-scale taxpayer” refers to a taxpayer with an annual value-added tax taxable sales amount not exceeding CNY 5 million.

Chapter II — Tax Rates

Article 10 — Value-added tax rates:

Article 11 — The levy rate for calculating and paying value-added tax using the simplified tax computation method is 3%.

Article 12 — Where a taxpayer engages in two or more taxable transactions involving different tax rates or levy rates, the taxpayer shall separately account for the sales amounts applicable to different tax rates or levy rates; if such separate accounting is not done, the higher tax rate or levy rate shall apply.

Article 13 — Where a taxpayer engages in one taxable transaction involving two or more tax rates or levy rates, the tax rate or levy rate applicable to the main business of the taxable transaction shall apply.

Chapter III — Taxable Amount

Article 14 — Where value-added tax is calculated and paid using the general tax computation method, the tax payable is the balance after offsetting the input tax amount for the current period against the output tax amount for the current period.

Article 15 — Where an overseas entity or individual engages in a taxable transaction within the territory, the purchaser shall be the withholding agent, unless the overseas entity or individual entrusts an agent within the territory to declare and pay the tax in accordance with the provisions of the State Council.

Article 16 — “Output tax amount” refers to the value-added tax amount calculated by multiplying the sales amount by the tax rate prescribed in this Law when a taxpayer engages in a taxable transaction.

Article 17 — “Sales amount” refers to the total consideration obtained by a taxpayer in connection with a taxable transaction, including all monetary and non-monetary economic benefits, excluding the output tax amount calculated using the general tax computation method and the tax payable calculated using the simplified tax computation method.

Article 18 — The sales amount shall be calculated in Renminbi. Where a taxpayer settles the sales amount in a currency other than Renminbi, it shall be converted into Renminbi for calculation.

Article 19 — Where a transaction is deemed a taxable transaction under Article 5 of this Law or the sales amount is in non-monetary form, the taxpayer shall determine the sales amount based on the market price.

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Article 20 — Where the sales amount is obviously too low or too high without justifiable reasons, the tax authority may assess the sales amount in accordance with the provisions of the Law of the People's Republic of China on the Administration of Tax Collection and relevant administrative regulations.

Article 21 — Where the input tax amount for the current period exceeds the output tax amount for the current period, the taxpayer may, in accordance with the provisions of the State Council, choose to carry forward the excess to the next period for further offsetting or apply for a refund.

Article 22 — The following input tax amounts of a taxpayer shall not be offset against the output tax amount:

Chapter IV — Tax Incentives

Article 23 — Where a small-scale taxpayer engages in a taxable transaction and the sales amount does not reach the threshold, value-added tax shall be exempted; if the sales amount reaches the threshold, value-added tax shall be calculated and paid in full in accordance with the provisions of this Law.

Article 24 — The following items are exempt from value-added tax:

Article 25 — Based on the needs of national economic and social development, the State Council may formulate special value-added tax preferential policies for supporting the development of small and micro enterprises, fostering key industries, encouraging innovation and entrepreneurship and employment, charitable donations, and other circumstances, and shall report such policies to the Standing Committee of the National People's Congress for recordation.

Article 26 — Where a taxpayer concurrently operates value-added tax preferential items, the taxpayer shall separately account for the sales amounts of the value-added tax preferential items; items not separately accounted for shall not be eligible for tax incentives.

Article 27 — A taxpayer may waive value-added tax incentives; where incentives are waived, the taxpayer shall not enjoy such tax incentives for 36 months, except for small-scale taxpayers.

Chapter V — Collection and Administration

Article 28 — The time when the value-added tax obligation arises shall be determined as follows:

Article 29 — The place for value-added tax declaration shall be determined as follows:

Article 30 — The tax computation periods for value-added tax are 10 days, 15 days, one month, or one quarter. The specific tax computation period for a taxpayer shall be determined by the competent tax authority based on the amount of tax payable by the taxpayer. Taxpayers who do not frequently engage in taxable transactions may calculate tax on a per-transaction basis.

Article 31 — Where a taxpayer uses 10 days or 15 days as a tax computation period, the taxpayer shall prepay tax within five days from the end of the period.

Article 32 — Value-added tax shall be collected by tax authorities, and value-added tax on imported goods shall be collected by customs authorities on behalf of the tax authorities.

Article 33 — Where a taxpayer exports goods or cross-border sells services or intangible assets with a zero tax rate, the taxpayer shall apply to the competent tax authority for tax refund (exemption). The specific measures for export tax refund (exemption) shall be prescribed by the State Council.

Article 34 — Taxpayers shall issue and use value-added tax invoices in accordance with the law. Value-added tax invoices include paper invoices and electronic invoices. Electronic invoices have the same legal validity as paper invoices.

Article 35 — Tax authorities shall establish mechanisms for sharing value-added tax-related information and for cooperation with departments such as industry and information technology, public security, customs,

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market supervision and administration, the People's Bank of China, and financial supervision and administration.

Article 36 — The collection and administration of value-added tax shall be carried out in accordance with the provisions of this Law and the Law of the People's Republic of China on the Administration of Tax Collection.

Article 37 — Where any taxpayer, withholding agent, tax authority, or its staff member violates the provisions of this Law, legal liability shall be pursued in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and relevant laws and administrative regulations.

Chapter VI — Supplementary Provisions

Article 38 — This Law shall take effect as of January 1, 2026. The Interim Regulation of the People's Republic of China on Value-Added Tax shall be simultaneously repealed.

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