

Value-Added Tax Law of the PRC

Dan Young Business Consultancy — www.danyoungcpa.com
Unofficial English translation prepared for reference only. The official Chinese text prevails.

Contents

Table of Contents	1
Chapter I — General Provisions	1
Chapter II — Tax Rates	2
Chapter III — Calculation of Tax Payable	3
Chapter IV — Tax Preferences	4
Chapter V — Collection Administration	4
Chapter VI — Supplementary Provisions	5

Adopted at the 13th Session of the Standing Committee of the 14th National People's Congress on December 25, 2024
Effective: January 1, 2026

Table of Contents

- Chapter I — General Provisions
- Chapter II — Tax Rates
- Chapter III — Calculation of Tax Payable
- Chapter IV — Tax Preferences
- Chapter V — Collection Administration
- Chapter VI — Supplementary Provisions

Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of improving the value-added tax (VAT) system, promoting high-quality economic development, and ensuring tax fairness.

Article 2 — Units and individuals that sell goods, provide processing, repair, and replacement services, sell services, intangible assets, or immovable property within the territory of the People's Republic of China, as well as import goods, shall be taxpayers of value-added tax and shall pay VAT in accordance with this Law.

Article 3 — For the purposes of this Law, "selling goods" means the transfer of ownership of tangible movable property (including electricity, heat, and gas) for consideration. "Selling services" means the provision of services including transportation, postal services, telecommunications, construction, financial services, modern services, and lifestyle services for consideration. "Selling intangible assets" means the transfer of ownership or usufruct of intangible assets including technology, trademarks, copyrights, goodwill, natural resource use rights, and other equity intangible assets for consideration. "Selling immovable

property" means the transfer of ownership of immovable property including buildings and structures for consideration.

Article 4 — The following activities shall be deemed as selling goods, services, intangible assets, or immovable property, and shall be subject to VAT in accordance with the relevant provisions of this Law:

Article 4 — (1) Where a unit or individual industrial and commercial household provides goods to another unit or individual free of charge;

Article 4 — (2) Where a unit or individual provides services free of charge, except where such provision is for public welfare purposes or serves the general public;

Article 4 — (3) Other circumstances provided for by the tax authorities under the State Council.

Article 5 — The following activities shall not be treated as taxable transactions and shall not be subject to VAT:

Article 5 — (1) Where an employer provides services to its employees, and the consideration for such services forms part of the wage or salary;

Article 5 — (2) Where services are provided for the purpose of collecting government-managed funds or administrative charges;

Article 5 — (3) Deposit interest income received by depositors;

Article 5 — (4) Insurance indemnities received by the insured;

Article 5 — (5) Asset restructuring activities involving the transfer of all or substantially all of the physical assets together with associated claims, debts, and labor force by a taxpayer in the course of asset restructuring, where VAT is not levied as prescribed.

Article 6 — VAT taxpayers shall be classified into general taxpayers and small-scale taxpayers according to their annual taxable sales amount and accounting status. The criteria for classifying general taxpayers and small-scale taxpayers shall be prescribed by the State Council.

Article 7 — Small-scale taxpayers may register with the tax authorities to be administered as general taxpayers, provided they have a sound accounting system and can provide accurate tax information. After registration as general taxpayers, they shall not be reclassified as small-scale taxpayers unless otherwise prescribed by the tax authorities under the State Council.

Chapter II — Tax Rates

Article 8 — The VAT rates shall be as follows:

Article 8 — (1) For the sale of goods, provision of processing, repair and replacement services, sale of tangible movable property leased out through financial leasing, and import of goods, except as otherwise provided for in subparagraphs (2), (4), and (5) of this Article, the tax rate shall be 13%;

Article 8 — (2) For the sale of agricultural products, edible vegetable oil, edible salt; tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, dimethyl ether, biogas, coal products for residential use; books, newspapers, magazines, audio-visual products, electronic publications; feed, chemical fertilizer, agricultural chemicals, agricultural machinery, agricultural film; transportation services, postal services, basic telecommunications services, construction services, real estate leasing services, sale of immovable property, and transfer of land use rights, the tax rate shall be 9%;

Article 8 — (3) For the sale of services and intangible assets, except as otherwise provided for in subparagraphs (2) and (4) of this Article, the tax rate shall be 6%;

Article 8 — (4) For the export of goods by taxpayers, and other services and intangible assets eligible for zero-rating as prescribed by the State Council, the tax rate shall be zero;

Article 8 — (5) For small-scale taxpayers, the levy rate shall be 3%, unless otherwise prescribed by the State Council.

Article 9 — Where a general taxpayer engages concurrently in transactions subject to different tax rates, the sales amount for each tax rate shall be accounted for separately. Where separate accounting is not maintained, the higher tax rate shall apply.

Chapter III — Calculation of Tax Payable

Article 10 — The VAT payable by a general taxpayer shall be the balance of the output tax for the current period after deducting the input tax for the current period. The formula for calculating VAT payable is: $\text{VAT payable} = \text{Output tax for the current period} - \text{Input tax for the current period}$. Where the output tax for the current period is less than the input tax for the current period and is insufficient to offset, the shortfall may be carried forward to subsequent periods for offset.

Article 11 — "Output tax" means the VAT amount calculated on the basis of the sales amount and the applicable tax rate, and collected from the purchaser by the taxpayer. The formula for calculating output tax is: $\text{Output tax} = \text{Sales amount} \times \text{Tax rate}$.

Article 12 — The sales amount of a general taxpayer shall be the total consideration and all other charges receivable from the purchaser for taxable transactions.

Article 13 — Where a general taxpayer sells services, intangible assets, or immovable property and the price is obviously low without a legitimate commercial purpose, or where a transaction is deemed to have occurred as provided in Article 4 of this Law, the tax authorities shall determine the sales amount in accordance with the following order: (1) The average selling price of similar taxable transactions of the taxpayer in the recent period; (2) The average selling price of similar taxable transactions of other taxpayers in the recent period; (3) The deemed sales amount based on cost plus a reasonable margin.

Article 14 — "Input tax" means the VAT amount paid or borne by a taxpayer on the purchase of goods, services, intangible assets, and immovable property. The following input tax shall be allowed to be credited against output tax: (1) The VAT amount stated on a special VAT invoice obtained from the seller; (2) The VAT amount stated on a customs import VAT payment certificate obtained from the customs authorities; (3) The VAT amount calculated on the basis of the purchase price and the deduction rate for the purchase of agricultural products, except where a special VAT invoice or customs import VAT payment certificate is obtained; (4) The VAT amount stated on a tax payment certificate for the payment of VAT withheld at source abroad or for the payment of VAT on behalf of another person.

Article 15 — The following input tax shall not be credited against output tax: (1) Input tax on goods, services, intangible assets, and immovable property used for simplified taxation method items, VAT-exempt items, collective welfare, or personal consumption; (2) Input tax on abnormally lost purchased goods, and related services and transportation services; (3) Input tax on purchased services, intangible assets, and immovable property consumed for abnormally lost work-in-progress or finished goods; (4) Input tax on services purchased for daily entertainment of customers; (5) Other circumstances prescribed by the State Council.

Article 16 — The VAT payable by a small-scale taxpayer shall be calculated using the simplified taxation method. The formula for calculating VAT payable is: $\text{VAT payable} = \text{Sales amount} \times \text{Levy rate}$.

Article 17 — The sales amount and the levy rate for small-scale taxpayers shall be prescribed by the State Council. Small-scale taxpayers may, on a quarterly basis, choose to calculate and pay tax according to the sales amount for each quarter. Where the quarterly sales amount does not exceed the threshold prescribed by the tax authorities under the State Council, VAT may be exempted.

Article 18 — For goods imported by a taxpayer, the VAT payable shall be calculated on the basis of the composite assessable price and the applicable tax rate. The formula for calculating composite assessable price and VAT payable is: Composite assessable price = Customs dutiable value + Customs duty + Consumption tax (if applicable); VAT payable = Composite assessable price x Tax rate.

Article 19 — Where a taxpayer has both tax-creditable and non-tax-creditable input tax in a period, the non-creditable input tax shall be apportioned on the basis of the proportion of sales amount. The specific calculation method shall be prescribed by the tax authorities under the State Council.

Article 20 — The sales amount for VAT purposes shall be calculated in Renminbi. Where a taxpayer settles the sales amount in a currency other than Renminbi, the sales amount shall be converted into Renminbi at the exchange rate prescribed by the tax authorities under the State Council.

Chapter IV — Tax Preferences

Article 21 — The following items shall be exempt from VAT: (1) Self-produced agricultural products sold by agricultural producers; (2) Contraceptive medicines and devices; (3) Antique books; (4) Imported instruments and equipment directly used in scientific research, scientific experimentation, and education; (5) Imported materials and equipment from foreign governments and international organizations under aid programs; (6) Articles imported by organizations of persons with disabilities exclusively for use by persons with disabilities; (7) Used articles sold by individuals; (8) Other items exempted as prescribed by the State Council.

Article 22 — Taxpayers engaged in VAT-exempt items shall separately account for the sales amount of exempt items. Where such separate accounting is not maintained, no exemption shall be granted.

Article 23 — Except as provided in Article 21 of this Law, the items and measures for VAT reduction or exemption shall be prescribed by the State Council. No local government or department may decide on VAT reduction or exemption without authorization.

Article 24 — A taxpayer may waive VAT exemption or preferential treatment, provided that the waiver shall remain effective for 36 months from the date of waiver. Waiver of exemption shall apply to all taxable transactions and no selective waiver shall be permitted.

Article 25 — For the purpose of encouraging investment and promoting economic development, the State Council may formulate special VAT policies for the import of specific goods, equipment, and technologies, provided that such policies are consistent with this Law and serve the public interest.

Chapter V — Collection Administration

Article 26 — The time at which a VAT liability arises shall be: (1) For the sale of goods, services, intangible assets, or immovable property, the date on which the sales payment is received or the documentary evidence of the right to receive the sales payment is obtained, whichever is earlier; where goods are delivered before the receipt of payment and a sales invoice is issued first, the date on which the sales invoice is issued shall be deemed as the time when the VAT liability arises; (2) For imported goods, the date of customs import declaration.

Article 27 — The place of VAT liability shall be: (1) For fixed establishments, the place where the taxpayer's establishment is located; (2) For non-fixed establishments, the place where the taxable transaction occurs or the place where the taxpayer resides; (3) For imported goods, the place where the customs declaration is made.

Article 28 — The VAT tax period shall be 1 day, 3 days, 5 days, 10 days, 15 days, 1 month, or 1 quarter. The specific tax period of a taxpayer shall be determined by the tax authorities based on the amount of tax payable by the taxpayer. Where the tax period is 1 month or 1 quarter, the taxpayer shall file a tax return and pay the tax within 15 days from the end of the period. Where the tax period is 1 day, 3 days, 5 days, 10 days,

or 15 days, the taxpayer shall prepay the tax within 5 days from the end of the period and file a tax return and settle the tax payment within 15 days from the first day of the following month. For imported goods, the taxpayer shall pay the tax to the customs authorities within 15 days from the date of issuance of the customs import VAT payment certificate.

Article 29 — Taxpayers shall use special VAT invoices for taxable transactions. Special VAT invoices are the primary legal documentation for the management of VAT. The format, issuance, use, and management of special VAT invoices shall be prescribed by the tax authorities under the State Council. Small-scale taxpayers that need to issue special VAT invoices may do so through the tax authorities.

Article 30 — When a taxpayer sells goods, services, intangible assets, or immovable property, the VAT shall be borne by the purchaser and the taxpayer shall issue a VAT invoice. Where the purchaser is a non-VAT taxpayer, a general VAT invoice may be issued upon the purchaser's request.

Article 31 — The collection and administration of VAT shall be governed by the Law of the People's Republic of China on the Administration of Tax Collection and the relevant provisions of this Law. The tax authorities and customs authorities shall, in accordance with their respective responsibilities, strengthen the collection and administration of VAT.

Article 32 — Tax authorities shall establish a VAT risk monitoring and early warning mechanism, utilize modern information technology to analyze taxpayer tax-related data, identify tax-related risk points, strengthen tax source management, and prevent tax revenue loss.

Article 33 — Tax authorities and relevant departments shall establish information sharing mechanisms, share taxpayer information including industrial and commercial registration, real estate, intellectual property rights, financial accounts, social insurance, and customs data, and strengthen VAT collection and administration. Relevant departments and units shall support and assist tax authorities in performing their VAT collection and administration duties in accordance with the law.

Chapter VI — Supplementary Provisions

Article 34 — The State Council shall formulate detailed rules for the implementation of this Law. The tax authorities under the State Council may, within the scope of their authority, formulate specific measures for the implementation of this Law.

Article 35 — The State Council shall, based on the needs of national economic and social development, and with a view to deepening the reform of the tax system and optimizing the tax structure, study and propose adjustments to the scope of VAT taxable items and tax rates, and submit them to the Standing Committee of the National People's Congress for decision in accordance with legal procedures.

Article 36 — Where any taxpayer, withholding agent, tax authority, or tax official violates the provisions of this Law, penalties shall be imposed in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and other relevant laws and administrative regulations. Where a crime is constituted, criminal liability shall be pursued in accordance with the law.

Article 37 — The Provisional Regulations of the People's Republic of China on Value-Added Tax shall be repealed on the date this Law comes into force.

Article 38 — This Law shall come into force on January 1, 2026.

Disclaimer: This English translation is provided for reference and informational purposes only. It is not an official translation, and no representation is made as to its accuracy or completeness. In the event of any discrepancy between this English translation and the original Chinese text, the Chinese text shall prevail. Readers are advised to consult the official Chinese version published by the National People's Congress of the People's Republic of China for authoritative reference. This translation does not constitute legal or tax advice. For specific legal or tax matters, please consult qualified professionals. Dan Young Business Consultancy makes no warranties, express or implied, regarding the use of this translation.