Value-Added Tax Law of the PRC

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Contents

Table of Contents 1

Chapter I — General Provisions 1

Chapter II — Tax Rates 2

Chapter III — Calculation of Tax Payable 2

Chapter IV — Tax Preferences 4

Chapter V — Collection and Administration 4

Chapter VI — Supplementary Provisions 5

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Table of Contents

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

Chapter I — General Provisions

Article 1 — This Law is enacted for the purpose of improving the value-added tax system, promoting high-quality economic development, and ensuring the collection of tax revenue.

Article 2 — Entities and individuals that sell goods, services, intangible assets, or immovable property within the territory of the People’s Republic of China, or that import goods, shall be taxpayers of value-added tax and shall pay value-added tax in accordance with the provisions of this Law.

Article 3 — Value-added tax shall be levied on the value added during the course of the sale of goods, services, intangible assets, immovable property, and the importation of goods.

Article 4 — The value-added tax shall be administered by the tax authorities. Customs shall administer the collection of value-added tax on imported goods on behalf of the tax authorities.

Article 5 — Taxable transactions shall include:

(1) Sale of goods: the transfer of ownership of tangible movable property for consideration;

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(2) Provision of services: the provision of labor services or services for consideration;

(3) Sale of intangible assets: the transfer of ownership or right of use of intangible assets for consideration;

(4) Sale of immovable property: the transfer of ownership of immovable property for consideration;

(5) Importation of goods: the entry of goods into the customs territory of China from abroad.

Article 6 — The following shall be deemed as taxable transactions:

(1) Where an entity or individual business operator provides services to other entities or individuals free of charge, unless used for public welfare purposes or serving the general public;

(2) Where an entity or individual business operator transfers goods, intangible assets, or immovable property free of charge, unless used for public welfare purposes or serving the general public;

(3) Other circumstances provided for by the finance and tax authorities under the State Council.

Article 7 — The following shall not be deemed as taxable transactions within the territory of China where:

(1) The services or intangible assets are provided and used entirely outside the territory of China;

(2) Other circumstances provided for by the State Council.

Article 8 — Small-scale taxpayers are taxpayers whose annual taxable sales amount does not exceed the threshold prescribed by the finance and tax authorities under the State Council.

Small-scale taxpayers with sound accounting may register with the tax authorities as general taxpayers and calculate value-added tax payable in accordance with the general tax calculation method.

Article 9 — General taxpayers shall calculate value-added tax payable in accordance with the general tax calculation method. Small-scale taxpayers shall calculate value-added tax payable in accordance with the simplified tax calculation method, unless otherwise provided for by the finance and tax authorities under the State Council.

Chapter II — Tax Rates

Article 10 — Value-added tax rates shall be:

(1) For the sale of goods, provision of processing, repair and replacement services, and the sale of tangible movable property for lease: 13%;

(2) For the sale of transportation, postal, basic telecommunications, construction, and real estate lease services, the sale of immovable property, the transfer of land use rights: 9%;

(3) For the sale of services and intangible assets not listed in items (1) and (2) of this Article: 6%;

(4) For the export of goods by taxpayers: 0%, unless otherwise provided for by the State Council.

Article 11 — The levy rate for the simplified tax calculation method applicable to small-scale taxpayers shall be 3%.

Article 12 — Where a taxpayer engages concurrently in taxable transactions subject to different tax rates or levy rates, the sales amounts shall be accounted for separately. Where separate accounting is not carried out, the higher tax rate or levy rate shall apply.

Article 13 — Where a taxpayer is engaged in a mixed transaction involving both goods and services, the tax rate applicable to the principal business shall apply.

Chapter III — Calculation of Tax Payable

Article 14 — For general taxpayers, the tax payable shall be the balance of the current-period output tax after deducting the current-period input tax. The formula is:

Tax Payable = Current-Period Output Tax – Current-Period Input Tax

Where the current-period output tax is less than the current-period input tax and insufficient for offset, the excess input tax may be carried forward to subsequent periods for further offset.

Article 15 — Output tax shall be the value-added tax amount calculated by multiplying the sales amount by the applicable tax rate. The formula is:

Output Tax = Sales Amount x Tax Rate

Article 16 — Sales amount shall be the total consideration and all other charges receivable by the taxpayer from the taxable transaction, excluding the output tax collected in accordance with this Law.

Where the sales amount is denominated in a foreign currency, it shall be converted into Renminbi at the market-based central parity rate of Renminbi exchange rate or other conversion standards prescribed by the State.

Article 17 — Where a taxpayer's sales amount is obviously low without justifiable reasons, the tax authorities shall determine the sales amount in accordance with the methods prescribed by the finance and tax authorities under the State Council.

Article 18 — Input tax shall be the value-added tax amount paid or borne by the taxpayer on purchased goods, services, intangible assets, or immovable property.

Article 19 — The following input tax shall not be deducted from output tax:

(1) Input tax on purchased items used for simplified tax calculation method items, value-added tax exempt items, collective welfare, or personal consumption;

(2) Input tax on purchased items for which abnormal losses have occurred;

(3) Input tax on purchased goods, services, intangible assets, or immovable property used for abnormal losses of products in process or finished goods;

(4) Input tax on purchased catering services, resident daily services, and entertainment services;

(5) Input tax on purchased loan services;

(6) Other circumstances provided for by the finance and tax authorities under the State Council.

Article 20 — For small-scale taxpayers, the tax payable shall be calculated by multiplying the sales amount by the levy rate. The formula is:

Tax Payable = Sales Amount x Levy Rate

Article 21 — Where a small-scale taxpayer issues special value-added tax invoices, the tax payable shall be calculated in accordance with the levy rate. The special value-added tax invoices shall indicate the tax amount at the levy rate.

Article 22 — For imported goods, the tax payable shall be calculated based on the composite assessable price and the applicable tax rate. The formula is:

Composite Assessable Price = Customs Dutiable Value + Customs Duty + Consumption Tax (if applicable)

Tax Payable = Composite Assessable Price x Tax Rate

Article 23 — The tax payable by a taxpayer shall be calculated in Renminbi. Where a taxpayer settles sales in currencies other than Renminbi, the amount shall be converted into Renminbi in accordance with the provisions of Article 16 of this Law.

Chapter IV — Tax Preferences

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

(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, experimentation, and education;

(5) Imported materials and equipment provided by foreign governments and international organizations as gratuitous aid;

(6) Articles for the disabled imported directly by organizations of persons with disabilities;

(7) Used goods sold by individuals;

(8) Other items prescribed by the State Council.

Article 25 — Taxpayers engaged in both tax-exempt and taxable items shall account for the tax-exempt items separately. Where separate accounting is not carried out, no exemption shall be granted.

Article 26 — A taxpayer may waive the right to tax exemption for tax-exempt items. Once the waiver is made, the tax exemption shall not be claimed again within 36 months.

Article 27 — The State Council may prescribe value-added tax reduction or exemption for industries and items requiring special policy support.

Article 28 — Where a taxpayer exports goods or provides cross-border taxable services subject to the zero tax rate, the taxpayer may apply for a refund of the input tax attributable to such goods or services from the tax authorities.

Article 29 — For small-scale taxpayers whose monthly sales amount does not exceed the threshold prescribed by the finance and tax authorities under the State Council, the value-added tax shall be exempted.

Chapter V — Collection and Administration

Article 30 — The obligation to pay value-added tax arises on the day the taxpayer receives the sales payment or obtains the voucher on which the sales payment is claimed, or on the day the taxpayer issues the invoice, whichever is earlier.

Article 31 — For the importation of goods, the obligation to pay value-added tax arises on the day of customs declaration for import.

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

Article 33 — For value-added tax collected by tax authorities, taxpayers shall file tax returns within the period and at the place prescribed by the tax authorities. The tax payment period may be 1 day, 3 days, 5 days, 10 days, 15 days, 1 month, or 1 quarter, depending on the amount of tax payable.

Article 34 — For value-added tax on imported goods, the taxpayer shall pay the tax within 15 days from the date of issuance of the customs tax payment certificate.

Article 35 — When selling goods or providing taxable services, taxpayers shall issue value-added tax invoices to the purchasers. Value-added tax invoices shall be uniformly administered by the tax authorities.

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Article 36 — Taxpayers shall use the tax control equipment prescribed by the tax authorities to issue value-added tax invoices. Entities and individuals shall not refuse to accept or use tax control equipment without justifiable reasons.

Article 37 — Where a taxpayer has any of the following acts, the tax authorities shall impose penalties in accordance with the Law of the People's Republic of China on the Administration of Tax Collection and relevant administrative regulations:

(1) Failure to register for tax purposes;

(2) Failure to file tax returns or pay tax within the prescribed period;

(3) Tax evasion, refusal to pay tax, or fraud to obtain tax refunds;

(4) Illegal issuance or use of value-added tax invoices;

(5) Other acts in violation of tax collection and administration laws and regulations.

Chapter VI — Supplementary Provisions

Article 38 — This Law shall come into effect on January 1, 2026. The Provisional Regulations of the People's Republic of China on Value-Added Tax promulgated by the State Council on December 13, 1993 shall be repealed simultaneously.

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