Value-Added Tax Law of the PRC

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Chapter I — General Provisions

Article 1 — 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.

The sale of goods, services, intangible assets, or immovable property means the provision of goods, services, intangible assets, or immovable property for consideration. Goods means tangible movable property, including electricity, heat, gas, and water. Services means the provision of labor services and services. Sale of immovable property means the transfer of ownership of immovable property. Intangible assets shall not include the transfer of land use rights.

Article 2 — Value-added tax work shall implement the principles of unified tax law, fair tax burdens, and facilitation of tax payment, improve the value-added tax system, and promote high-quality economic development.

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Article 3 — Where a taxable transaction occurs within the territory, the place of sale shall be determined in accordance with the following provisions:

(1) In the case of sale of goods, the place where the goods are located at the time of transfer, or the place of departure of goods for transportation, shall be the place of sale. (2) In the case of sale of immovable property, the place where the immovable property is located shall be the place of sale. (3) In the case of leasing of immovable property, the place where the immovable property is located shall be the place of sale. (4) In the case of sale of services or intangible assets, the place where the services or intangible assets are consumed shall be the place of sale, unless otherwise provided by the State Council.

Article 4 — Where goods are imported, the consignee of the imported goods or the agent handling the import formalities shall be the taxpayer. Where the consignee is an individual, the value-added tax on imported articles for personal use shall be levied as prescribed by the State Council.

Article 5 — Units and individuals that are obligated to withhold and remit value-added tax shall be withholding agents. Where a foreign entity or individual has no business establishment within the territory and sells services, intangible assets, or immovable property within the territory, the purchaser shall be the withholding agent, unless otherwise provided by the State Council.

Article 6 — Value-added tax shall be collected by the tax authorities. Customs shall collect value-added tax on behalf of the tax authorities on imported goods. The collection and remission of value-added tax on imported goods by individuals as prescribed by the State Council shall be handled by customs together with customs duties.

Article 7 — Value-added tax shall be a central-local shared tax. The distribution ratio between the central and local governments shall be prescribed by the State Council.

Article 8 — Taxpayers shall calculate and pay value-added tax in accordance with the provisions of this Law. Tax rates, tax bases, tax calculation methods, tax preferences, and collection and administration measures shall be implemented in accordance with the provisions of this Law. No region, department, or individual may expand or narrow the scope of application without authorization through administrative measures such as deciding on tax exemption, tax reduction, or tax refund.

Article 9 — Taxpayers shall calculate the output tax on taxable transactions in accordance with this Law and deduct the input tax to determine the tax payable. Any amount of input tax that may not be deducted in the current period may be carried forward to subsequent periods for deduction.

Small-scale taxpayers may adopt a simplified tax calculation method to calculate the tax payable and may not deduct input tax. The criterion for determining small-scale taxpayers and the administration measures shall be prescribed by the State Council.

Where small-scale taxpayers have sound accounting and can provide accurate tax information, they may register with the competent tax authority and calculate the tax payable in accordance with the general tax calculation method.

Article 10 — Taxpayers that sell goods and concurrently provide services shall be mixed-sales enterprises. The tax treatment of mixed-sales enterprises shall be prescribed by the State Council.

Article 11 — The provisions on value-added tax applicable to small-scale taxpayers may be applied, upon registration with the tax authorities, to small-scale taxpayers whose annual taxable sales exceed the prescribed criterion.

Chapter II — Tax Rates

Article 12 — Value-added tax rates shall be:

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(1) The tax rate of 13 percent shall apply to the sale of goods, the provision of processing, repair, and replacement services, the leasing of tangible movable property, and the import of goods, unless otherwise provided in items (2), (3), (4), or (5) of this Article. (2) The tax rate of 9 percent shall apply to the sale of agricultural products, edible vegetable oil, edible salt, tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, residential coal products, books, newspapers, magazines, audio-visual products, electronic publications, feed, chemical fertilizers, agricultural chemicals, agricultural machinery, agricultural film, and other goods prescribed by the State Council; the sale of transportation, postal, basic telecommunications, construction, and immovable property leasing services; and the sale of immovable property and the transfer of land use rights. (3) The tax rate of 6 percent shall apply to the sale of services and intangible assets not specified in items (1), (2), and (4) of this Article. (4) The tax rate of zero percent shall apply to the export of goods and other taxable transactions prescribed by the State Council. (5) The collection rate of 3 percent shall apply to small-scale taxpayers.

Article 13 — Where a taxpayer engages in taxable transactions to which different tax rates apply, the sales amounts shall be accounted for separately. Where sales amounts are not accounted for separately, the higher tax rate shall apply.

Article 14 — Where a taxpayer concurrently engages in both taxable and non-taxable transactions, the sales amounts shall be accounted for separately. Where sales amounts are not accounted for separately, the sales amounts shall be determined by the competent tax authority.

Chapter III — Calculation of Tax Payable

Article 15 — Sales amount means the total consideration and all other charges receivable by the taxpayer from the purchaser for the sale of goods, provision of services, or transfer of intangible assets or immovable property, excluding the output tax collected. The sales amount shall be calculated in RMB.

Article 16 — Where a taxpayer sells goods, services, intangible assets, or immovable property at a price that is obviously low and without justifiable commercial reasons, the competent tax authority shall determine the sales amount in accordance with the prescribed method.

Article 17 — Output tax means the value-added tax amount calculated on the basis of the sales amount and the applicable tax rate in the case of a taxpayer selling goods, services, intangible assets, or immovable property.

Output tax shall be calculated in accordance with the following formula:

Output tax = sales amount × tax rate

Article 18 — Where a taxpayer sells goods, services, intangible assets, or immovable property at a tax-inclusive price, the tax-exclusive sales amount shall be calculated in accordance with the following formula:

Tax-exclusive sales amount = tax-inclusive sales amount ÷ (1 + tax rate)

Article 19 — Input tax means the value-added tax amount paid or borne by the taxpayer on the purchase of goods, services, intangible assets, or immovable property.

The following input tax amounts may be credited against the output tax:

(1) The value-added tax amount stated on the special value-added tax invoice or other tax payment vouchers obtained from the seller. (2) The value-added tax amount stated on the special customs value-added tax payment voucher obtained from customs. (3) Where agricultural products are purchased, the input tax calculated on the basis of the purchase price and the deduction rate prescribed by the State Council. (4) Where transportation services are purchased, the input tax calculated on the basis of the transportation expenses and the deduction rate prescribed by the State Council.

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Article 20 — The following input tax amounts may not be credited against the output tax:

(1) Input tax on goods, services, intangible assets, or immovable property used for non-taxable transactions, tax-exempt transactions, collective welfare, or personal consumption. Where the fixed assets or intangible assets referred to in this item are used for both the purposes described in this item and for taxable transactions, the input tax may be fully credited, unless the fixed asset or intangible asset is exclusively used for the purposes described in this item. (2) Input tax on purchased goods, services, intangible assets, or immovable property that suffer abnormal losses. (3) Input tax on purchased goods, services, intangible assets, or immovable property consumed in the production of finished products or work in progress that suffer abnormal losses. (4) Input tax on purchased catering services, residential daily services, entertainment services, and consumer loan services. (5) Other circumstances prescribed by the State Council.

Article 21 — The formula for calculating the tax payable under the general tax calculation method shall be:

Tax payable = current output tax – current input tax

Where the current output tax is less than the current input tax and the shortfall may not be fully credited, the shortfall may be carried forward to subsequent periods for deduction.

Article 22 — The formula for calculating the tax payable by small-scale taxpayers shall be:

Tax payable = sales amount × collection rate

Where a small-scale taxpayer sells goods, services, intangible assets, or immovable property at a tax-inclusive price, the tax-exclusive sales amount shall be calculated in accordance with the following formula:

Tax-exclusive sales amount = tax-inclusive sales amount ÷ (1 + collection rate)

Chapter IV — Tax Preferences

Article 23 — The following transactions shall be exempt from value-added tax:

(1) Agricultural products sold by agricultural producers themselves. (2) Contraceptive drugs and devices. (3) Antique books. (4) Imported instruments and equipment directly used in scientific research, scientific experimentation, and education. (5) Imported materials and equipment provided as free aid by foreign governments and international organizations. (6) Articles for the use of persons with disabilities imported by organizations for persons with disabilities, where imported exclusively for their own use. (7) Services provided by persons with disabilities. (8) Other transactions prescribed by the State Council.

Article 24 — Taxpayers engaged in both tax-exempt and taxable transactions shall account for the sales amounts of tax-exempt transactions separately. Where sales amounts are not accounted for separately, no tax exemption shall be granted.

Article 25 — A taxpayer may waive the tax exemption for tax-exempt transactions. Upon filing a waiver, the tax exemption for the relevant transactions may not be claimed again within 36 months.

Article 26 — Taxpayers whose monthly sales amount does not exceed the threshold prescribed by the State Council shall be exempt from value-added tax. Where a transaction eligible for value-added tax exemption under this Article involves the deduction of input tax, the input tax on the relevant transactions may not be credited.

Chapter V — Collection and Administration

Article 27 — The time at which the obligation to pay value-added tax arises shall be the day on which the sales amount is received, the day on which the document for claiming the sales amount is obtained, or the day on which the title to the goods passes, whichever is earlier. Where imported goods are involved, the time

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shall be the day on which the import declaration is made.

Article 28 — The place of payment of value-added tax shall be determined in accordance with the following provisions:

(1) Where a taxpayer has a fixed business establishment, it shall declare and pay tax to the competent tax authority at the place where its business establishment is located. (2) Where a taxpayer does not have a fixed business establishment, it shall declare and pay tax to the competent tax authority at the place where the taxable transaction occurs. (3) Where a taxpayer has a fixed business establishment but engages in taxable transactions outside the place where the business establishment is located, and the total tax payable at the place where the business establishment is located and the places where the taxable transactions occur has not been consolidated, it shall declare and pay tax to the competent tax authority at the place where the taxable transaction occurs. Where the total tax payable has been consolidated, the taxpayer shall declare and pay tax to the competent tax authority at the place where the business establishment is located. (4) Taxes on imported goods shall be paid to the customs at the place of import declaration.

Article 29 — The value-added tax payment period shall be 1 day, 3 days, 5 days, 10 days, 15 days, 1 month, or 1 quarter. The specific tax payment period of a taxpayer shall be determined by the competent tax authority on the basis of the amount of tax payable by the taxpayer. Where the tax payable cannot be calculated by fixed periods, tax may be paid on a per-transaction basis.

Where a taxpayer adopts a period of 1 month or 1 quarter as the tax payment period, it shall declare and pay tax within 15 days from the expiry date. Where a taxpayer adopts a period of 1 day, 3 days, 5 days, 10 days, or 15 days, it shall prepay the tax within 5 days from the expiry date and declare and pay tax for the preceding month within 15 days from the first day of the following month.

The withholding agent shall submit the tax withholding report and pay the tax withheld within 15 days from the date on which the tax withholding obligation arises.

Article 30 — A taxpayer that imports goods shall pay tax within 15 days from the date of issuance of the customs special tax payment voucher by customs.

Article 31 — Taxpayers and withholding agents shall, in accordance with the laws, administrative regulations, and relevant provisions of the State Council, keep and use value-added tax invoices.

Value-added tax invoices shall be issued by means of the electronic invoice service platform.

Article 32 — Value-added tax shall be administered by the tax authorities. Customs shall administer value-added tax on behalf of the tax authorities on imported goods. The specific measures for the relationship between the tax authorities and customs in collecting value-added tax on imported goods shall be formulated by the State Council.

Article 33 — The tax authorities shall establish and improve the value-added tax risk management mechanism, strengthen the monitoring and analysis of taxpayers' tax-related data, and enhance the level of tax collection and administration.

Article 34 — Where a taxpayer engages in taxable transactions and fails to issue invoices in accordance with the provisions, the tax authorities shall order rectification and may impose a fine of not more than RMB 10,000.

Chapter VI — Supplementary Provisions

Article 35 — Where the provisions of international treaties or agreements on value-added tax concluded or acceded to by the People's Republic of China differ from the provisions of this Law, the provisions of the international treaties or agreements shall apply, except for provisions in respect of which the People's Republic of China has declared reservations.

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Article 36 — Taxpayers who are outside the territory of the People's Republic of China shall, when engaging in taxable transactions, designate an agent in the territory to handle value-added tax matters, or may set up a business establishment in the territory to assume the responsibility for paying value-added tax. Where neither of the above is done, the withholding agent shall perform the tax withholding obligation.

Article 37 — The State Council shall, in accordance with this Law, formulate implementing regulations.

Matters concerning value-added tax for military enterprises and military products shall be prescribed separately by the State Council and the Central Military Commission.

Article 38 — This Law shall take effect as of 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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