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## Briefing on Reduction and Exemption of Value Added Tax in China

Value-added tax is a kind of turnover tax levied on the base of added value incurred in the circulation process of commodities (including taxable services). Value-added tax is subject to extra-valorem tax and finally shall be borne by the consumer. At present, value added tax is the largest tax in China, we hereby briefed an introduction on reduction and exemption policies of Chinese value added tax as following.

### 1. Exemption items for an indefinite period

- (1) Self-produced farm products sold by agricultural producers.  
Agricultural producers include enterprises and individuals engaged in agricultural production. Agriculture includes planting, breeding, forestry, animal husbandry and aquaculture.
- (2) Contraceptives and devices.
- (3) Old books acquired from society.
- (4) Imported instruments and equipment directly used in scientific research, scientific experiments and teaching.
- (5) Imported materials and equipment provided by foreign government and international organizations free of charge.
- (6) Articles for the use of the disabled imported directly by the organization of the disabled.
- (7) Second-hand items sold by individuals.
- (8) Part of agricultural production supplies such as agricultural film, some imported pesticides.
- (9) Processing and repair services provided by individuals with disabilities.
- (10) Part of feed products, such as mixed provender and concentrated feed.
- (11) For small-scale taxpayer, the monthly sales revenue less than RMB100,000(or quarterly sales revenue less than RMB300,000).

### 2. Periodic exemption items

The exemption items during the novel coronavirus outbreak are as following:

- (1) The increased input VAT will be fully refund for the key material manufacturers for epidemic prevention and control.
- (2) The income of transportation service provided for priority supplies for epidemic prevention and control can enjoy VAT exemption.
- (3) The income of public transportation service, living service and express delivery service for resident's daily necessities can enjoy VAT exemption.
- (4) Free donation of goods for epidemic prevention and control can enjoy VAT exemption.

- (5) From 1 March 2020 to 31 December 2020, the taxable income applied for 3% VAT rate can enjoy VAT exemption for small-scale taxpayers in Hubei province; The advance payment can be suspended for 3% VAT prepayment items.
- (6) Except for Hubei province, small-scale VAT payers in other provinces, autonomous regions and municipalities can enjoy 1% VAT rate for previous items applied for 3% rate; small-scale VAT payers in these regions also can enjoy 1% advance payment for previous prepayment of 3% rate.

The above preferential policy started from 1 January 2020 and the applicable deadline will be announced by the Ministry of Finance and the State Administration of Taxation according to epidemic situation.

### 3. Immediate levy and refund items

- (1) Self-produced products with comprehensive utilization of resources and the provision of comprehensive utilization of resources services.
- (2) For enterprises or individual businesses have disabled employees can enjoy the refund according to actual number of disabled employees.
- (3) Self-developed software products sold by VAT general taxpayer can enjoy the refund for the part of actual VAT burden exceed 3%.
- (4) From 1 May 2018 to 31 December 2020, self-developed animation software sold by VAT general taxpayer of animation enterprises can enjoy the refund for the part of actual VAT burden exceed 3%.

### 4. Tax refund (exemption) for export goods

- (1) Goods exported by foreign trade company.
- (2) Manufacturer export self-produced goods or entrust a foreign trade company for export can enjoy “exemption, offset, refund” policy.  
“Exemption” means the self-produced goods exported by the manufacturer can enjoy VAT exemption; “Offset” means the refundable input VAT included in raw material, spare parts, fuel and power for self-produced goods exported by the manufacturer can offset against the output VAT of goods sold in domestic; “Refund” means when the input VAT for self-produced goods exported by the manufacturer is more than the VAT payable, the redundant part of input VAT can be refunded.

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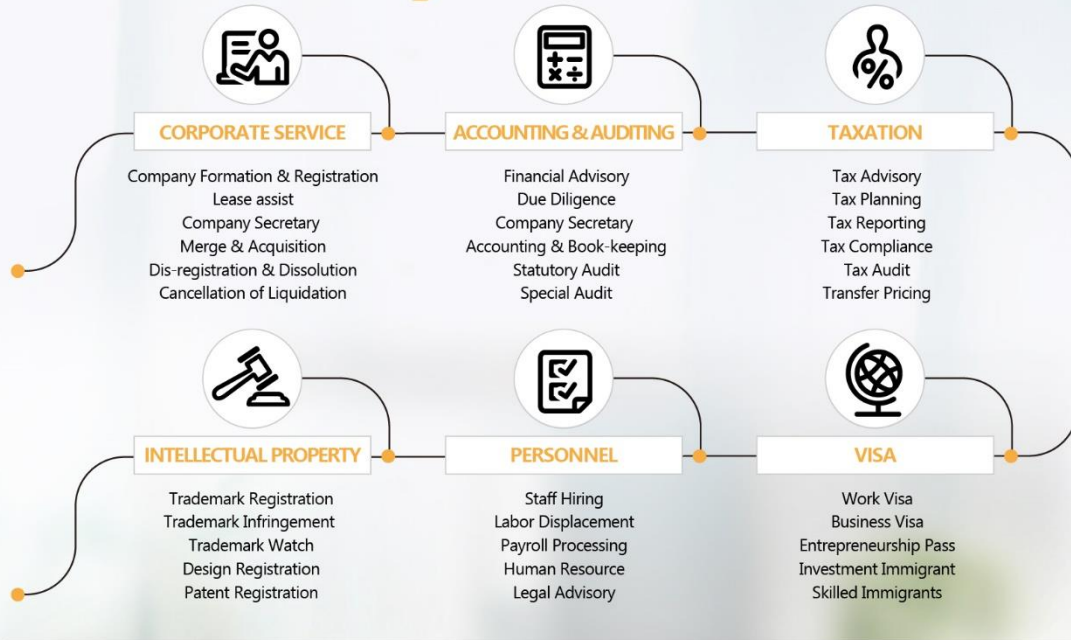
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