

## China green tax in force now

### Contacts

#### China

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#### In brief

- » China has enacted the Decree of the President No.61 to introduce the environment protection tax (EPT).
  - EPT replaces the pollutant emission charges;
  - EPT basically follows the measures of existing pollutant emission charges;
  - Tax authorities take over the EPT administration and collection;
  - Tax relief is available to encourage green operation.
- » The new law has taken effect from 1 January 2018.
- » State Administration of Taxation (SAT) has issued tax returns for EPT on 27 January 2018.

Feedback

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In detail

China’s Standing Committee of the National People’s Congress has enacted the Decree of the President No.61, effective from 1 January 2018, introducing the EPT. The SAT issued the tax return for EPT on 27 January 2018. The new law aims at realizing a smooth transfer from pollutant emission charges to EPT, and setting up a national statutory basis for EPT collection.

1. Taxpayers

» Enterprises, entities and producers (excluding natural persons) which directly discharge pollutants are taxpayers of EPT. Discharging pollutants to a qualified sewage treatment plant is not subject to EPT.

2. Taxable pollutants and rates

» Taxable pollutants include pollutants in air, water, wastes and noise listed in the “Taxable Items and Rates” and “Taxable Pollutants and Levels”.

EPT law provides a range of the tax amount for taxable pollutants:

- RMB 1.2 – RMB 12 per pollution level in air per discharge;
- RMB 1.4 – RMB 14 per pollution level in water per discharge;
- RMB 5 – RMB 1,000 per ton per type of solid pollutants; and
- RMB 350 – RMB 11,200 per month based on over-limit noise level.

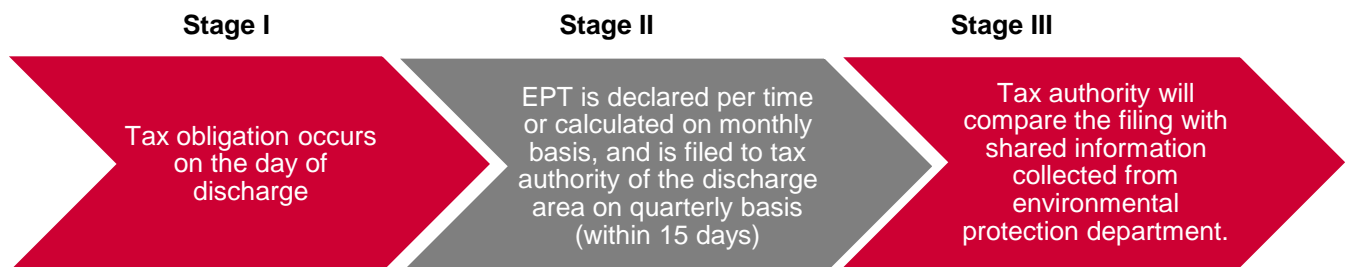
Local governments are empowered to formulate the local standard within the scope of EPT.

3. Tax calculation method

Types of pollutants		Calculation method
1	Air / water pollutants	Pollution level x applicable tax amount
2	Solid wastes	Discharge load (per ton) x applicable tax amount
3	Noise	Applicable tax amount / month according to over-limit decibel

4. Tax collection procedures

» Tax authorities will be responsible for EPT administration and collection based on the following procedures:



5. Tax relief

» To encourage green operation, the EPT law offers tax relief to enterprises. If they generate air/water pollutants below the limit by 30% or 50%, EPT will be reduced by 25% or 50% respectively. The SAT has applied a simple procedure for the EPT tax relief. Entities will declare the tax relief in the tax return rather than a special record.

**WTS observation**

The new EPT law has enacted a state-level legislation on environment protection taxation, for the first time. The EPT fees are not new costs to enterprises though, as EPT is a transformation of pollutant emission charges into taxes. The new challenges to business operators could be twofold: a no-compromise tax enforcement and growing pollution controlling costs. Business managements need to adjust their mindset to accept that EPT has become a core part of tax compliance and also a name card for social responsibility.

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