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China issued tax penalty benchmarks

In brief

» On 28 September 2026, China's State Taxation Administration (STA) issued a comprehensive assessment benchmarks for enforcing administrative tax penalties, taking effect on 1 November 2026. The benchmarks replace inconsistent local discretion standards with a unified national standard and seeks to strike a better balance between safeguarding taxpayers' rights and combating tax violations.

The new framework marks a significant upgrade of China's tax administrative penalty system and provides useful guidance for companies facing tax controversy cases.

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Details

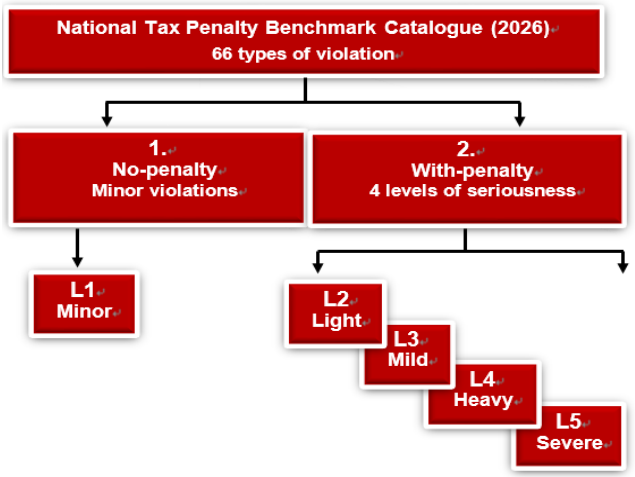
STA published on 28 September 2026 the "National Assessment Benchmarks on Tax Administrative Penalty", effective 1 November 2026 (hereinafter as "**Benchmarks"**). The significance of the Standards is summarized below.

1. Setting national benchmark

The Benchmarks establish a nationally unified penalty framework for 66 violations across nine (9) categories with five tiers of seriousness.

Tax authorities are required to apply the Benchmarks within their scope but may not cite them alone as the legal basis for a penalty but to specify the applicable situation and governing laws in their penalty decision.

This helps to avoid uncertainty and arbitrary treatments.



Nine categories	Penalty on 66 types of violations
1. Tax registration	• Items 1 ~ 10, 4 ~ 5 levels (minor ~ severe) • Penalty ceiling at RMB 10K for companies and RMB 50K for banks.
2. Books and records	• Items 11 ~ 15, 4 ~ 5 levels (minor ~ severe) • Penalty ceiling at RMB 50K for forging records
3. Tax filing	• Items 16 ~ 18, 4 ~ 5 levels (minor ~ severe) • Penalty up to RMB 10K; false tax basis up to RMB 50K
4. Tax collection	• Items 19 ~ 30, 3 ~ 4 levels (light ~ severe) • Penalty from 50% ~ 500% of taxes; 100% ~ 300% of social insurance, plus a daily surcharge of 0.05%
5. Tax inspection	• Items 31 ~ 33, 4 levels (light ~ severe) • Penalty up to RMB 50K (companies); RMB 500K (institutions) plus personal up to RMB 10K
6. Invoice and tax payment certificate	• Items 34 ~ 59, 4 ~ 5 levels (minor ~ severe) • Penalty generally up to RMB 10K; serious invoice crimes RMB 10K ~ 500K; forged invoices up to RMB 50K
7. Tax payment guarantee	• Items 60 ~ 62, 3 ~ 4 levels (light ~ severe) • Penalty up to RMB 10K (fraudulent guarantee); 50% ~ 500% of taxes (loss cases)
8. Tax professional service	• Items 63 ~ 65, 2 ~ 3 levels (mild ~ severe) • Penalty to institutions up to RMB 10K; personnel up to RMB 5K
9. Tax reporting	• Item 66 (platform companies), 3 levels (minor, mild and severe) • Penalty up to RMB 100K; at serious level: suspension + RMB 100K ~ 500K

2. Implementation

The Benchmarks take effect on 1 November 2026. From that date, where existing standards for tax administrative penalties are inconsistent with the Benchmarks, the latter will apply.

For violations before 1 November 2026 for which a penalty decision is not yet made, the rules in effect at the time of the violation occurred will apply, unless the new Benchmarks are more favorable to the taxpayers. Thus the new framework offers the flexibility for businesses with historical tax violations to choose between the old and new standards in case a more favorable penalty standard can be available.

WTS China's observations

The headline achievement for the Benchmarks is uniformity. By replacing a patchwork of local standards with a single national standards, the Benchmarks enhances the transparency and predictability of tax enforcement. In particular, businesses operating across provinces previously subject to inconsistent treatments can now look to the Benchmarks for certainty and consistency.

The following interesting features of the Benchmarks should also be noted:

- **Leniency:** The Benchmarks sets out eight situations in which no-penalty treatment applies, together with three assessment criteria. Rather than treating every lapse as a tax debt, it draws a clear line between the careless and the culpable. There is also a procedural beauty in its restraint: the exemption is **mandatory** once the conditions are met, making the outcome predictable and non-controversial.

- **Calibration towards controlling and discipline:** The Benchmarks have prioritized voluntary rectification by offering no penalty or a lighter penalty to cases self-correction, supplementary filings and cooperation. Notably, they also place much weight on compliance in data maintenance for both taxes and social insurance. Businesses should therefore regularly reconcile accounting records and cross-check employee rosters, payroll, and social insurance contribution bases.

On the whole, it should be noted that the Benchmarks are explicitly **not** a standalone legal basis – they must be applied through the relevant tax laws and regulations. Businesses can now benchmark their practices against the Benchmarks and reassess potential risks in tax filing, invoice administration, tax payment and social insurance contribution filing. Particular attention should be paid to factors that influence the penalty tier, including the violation amount, its proportion and historical violation records.

China Contacts



Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202



Maggie Han
Partner
maggie.han@wts.cn
+ 86 21 5047 8665 ext.206



Ened Du
Partner
ened.du@wts.cn
+ 86 21 5047 8665 ext.215



Sissi Shen
Senior Manager
sissi.shen@wts.cn
+ 86 21 5047 8665 ext.220



Claire Huang
Consultant
claire.xiao.huang@wts.cn
+ 86 21 5047 8665 ext.203

China Desk

(WTS GmbH in Munich, Germany)



Martin Loibl
Partner
martin.loibl@wts.de
+ 49 89 28646-130



Hu-Joly, Lisa
Manager
lisa.Hu-Joly@wts.de
+49 1743615365





WTS China Co., Ltd.
Unit 06-07, 20th Floor, Building 1, Shengbang International Tower, No.1318 North Sichuan Road, Hongkou District, Shanghai, China 200080
Tel: 021 – 5047 8665
Website: www.wts.cn
Email: info@wts.cn



WTS Global website: www.wts.com
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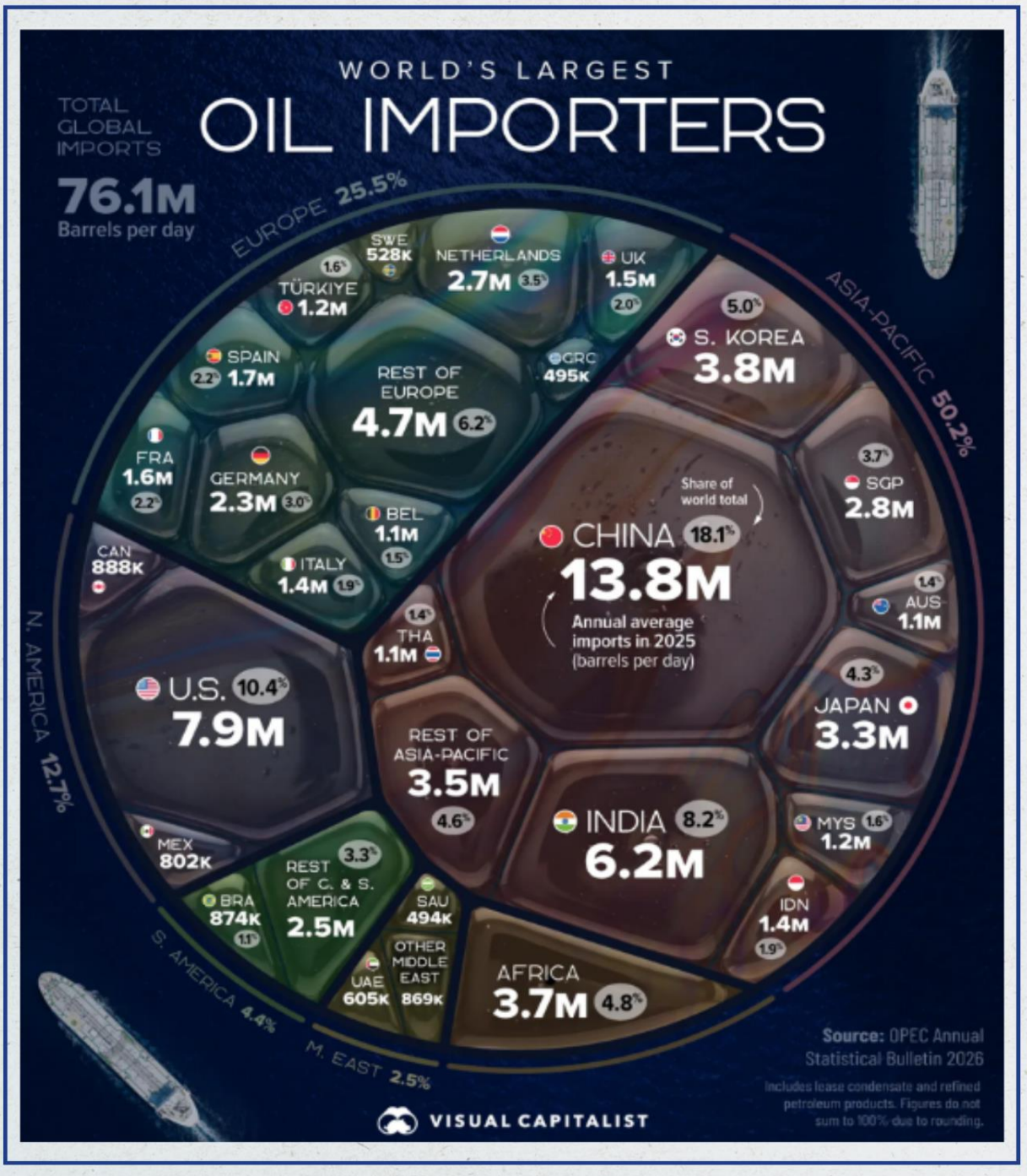
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