

E-invoicing for newly registered taxpayers

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In brief

- » SAT has announced to practise electronic VAT invoicing (e-invoicing) with all newly registered taxpayers in the whole country.

Feedback

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In Detail

On 20 December 2020, the State Administration of Taxation (SAT) announced a nationwide implementation of VAT e-invoices. Based on the trial in Ningbo, Shijiazhuang and Hangzhou, the e-invoicing will be introduced in two phases up to the end of January 2021 to all the newly registered taxpayers in China, covering all invoice recipients.

E-invoicing is getting popular for its advantages in issuing, keeping, inspection and cost saving. An e-invoice is an electronic version of a VAT special invoice, which carries an e-signature instead of a special stamp. Its legal effect, usage and requirements are the same as those governing paper invoices.

1. Invoice quota setting

The tax authorities of all provinces are given the discretion to determine themselves the quota for new taxpayers to obtain electronic VAT invoices for the first time within the national scope of the maximum invoice value of RMB 100,000 and the maximum quantity of 25 pieces per month. After the setting, the taxpayers still have the option to apply for a higher quota to meet its increasing business need.

It is required that the maximum quota of e-invoices and paper VAT special invoices (the two types of invoices) should be consistent. The maximum quantity is the total quota for the two types of invoices. New taxpayers can determine their preferred proportion between the two when claiming for the invoices.

2. Issuance

New taxpayers can apply for e-invoices online and collect a security token “Ukey” from the tax authority via a simple procedure. They can issue e-invoices on an invoice service platform with no charge and arrange a remote delivery.

In case of any sales return, wrong invoicing, cancellation of sales or sales discounts, the invoicing party or the recipient can fill in and submit the “*Form for Credit Note*” online for reversing the invoices. The taxpayer can then issue a credit note after obtaining the tax authority’s automatic verification online.

Taxpayers can issue VAT special invoices either in electronic or paper versions. However, the taxpayer should issue a paper version if a customer requests so.

3. Inspection

Companies and individuals can download an “e-invoice checker” from the national VAT invoice inspection online system if they wish to verify the validity of any e-signature as a means to curb fake invoices.

4. Deduction

For anyone intending to use e-invoices for declaration, deduction of VAT input, export tax refund or any other tax refund, they are required to confirm the purposes via the VAT invoice online system.

5. Documentation

For those taxpayers adopting an electronic bookkeeping practice, they are allowed to use the e-invoices for supporting any claims of expenses reimbursement and keeping the records. If it is necessary to keep a hardcopy for filing, the e-invoices are required to be stored in a printed format.

6. Preservation

E-invoices can be stored electronically without the need for any physical space, which greatly reduces the administration cost. In addition, taxpayers can always re-download the e-invoices from the official online system anytime they wish, reducing effectively the risk of loss or damage.

WTS observation

E-invoicing is undoubtedly an important step in tax modernization. A national implementation of e-invoices not only provides convenience to the taxpayers, but also creates significant social benefits.

E-invoicing can facilitate a quick and safe transaction with the advantages of simple to process, fast to collect, convenient to delivery, efficient in management and economical in documentation. Further, e-invoicing can enable the enterprises to improve financial analysis, embark on electronic accounting, and to boost economic digitalisation.

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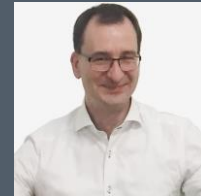
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