

**Alert: Tax audit in Shanghai coming soon!**

## Contacts

### China

Martin Ng  
Managing Partner  
[martin.ng@wts.cn](mailto:martin.ng@wts.cn)  
+ 86 21 5047 8665 ext.202

Ened Du  
Senior Manager  
[ened.du@wts.cn](mailto:ened.du@wts.cn)  
+ 86 21 5047 8665 ext.215

### In brief

- » Shanghai Municipal Tax Bureau has decided to launch soon a city-wide tax audit against taxpayers within its jurisdiction.
- » Taxpayers are alerted to duly prepare for the tax audit.

Feedback

### WTS – strong presence in about 100 countries / regions

Albania • Angola • Argentina • Australia • Austria • Azerbaijan • Belarus • Belgium • Bolivia • Bosnia-Herzegovina • Brazil • Bulgaria • Cambodia • Canada • Chile • China • Colombia • Costa Rica • Croatia • Cyprus • Czech Republic • Denmark • Egypt • Ecuador • El Salvador • Estonia • Finland • France • Germany • Ghana • Greece • Guatemala • Honduras • Hong Kong • Hungary • India • Indonesia • Iran • Ireland • Island • Israel • Italy • Japan • Kazakhstan • Kenya • Korea • Kuwait • Laos • Latvia • Lebanon • Lithuania • Luxembourg • FYR Macedonia • Malaysia • Malta • Mauritius • Mexico • Mongolia • Montenegro • Morocco • Netherlands • New Zealand • Nicaragua • Nigeria • Norway • Oman • Pakistan • Panama • Peru • Philippines • Poland • Portugal • Qatar • Romania • Russia • Saudi Arabia • Serbia • Singapore • Slovakia • Slovenia • South Africa • Spain • Sri Lanka • Sweden • Switzerland • Taiwan • Thailand • Tunisia • Turkey • Turkmenistan • UK • United Arab Emirates • Ukraine • Uruguay • USA • Uzbekistan • Venezuela • Vietnam

## 2020 (No. 8 issue)

June 2020

### In detail

On 15 June 2020, the Shanghai Municipal Tax Bureau made public its decision to launch soon a random tax audit against taxpayers in Shanghai. Some key points of the announcement are summarized below:

#### » Scope of tax audit

a) Key targets

Key targets will be chosen among heavy taxpayers in Shanghai, by considering their tax payments, industry, location, entity type, and the corporate size.

b) Non-key targets

Non-key targets will be randomly selected among those taxpayers outside the list of key targets, including non-corporate taxpayers.

c) Abnormal targets

Enterprises with an abnormal tax declaration status, a high tax risk, a low tax credit rating, frequent non-compliance incidents, being punished jointly by authorities or in abnormal situations will be selected as audit targets.

#### » Target Selection

The targets will be selected randomly through a screening process based on specific and non-specific lists.

#### » Inspection Period

The tax audit will cover targets' tax compliance status from 2017 to 2019. If any major tax violations is found, the inspection period can be extended backward to the previous years or forward to 2020.

#### » Inspection Format

The targets could be directly inspected or be asked for a self-examination before an inspection.

### WTS observation

The announcement has not revealed the focus areas of the tax audit. It is very likely that the tax bureau would base on the abnormal data shown by the GST III system. Taxpayers in Shanghai are recommended to revisit their tax filing records from 2017 to 2019. If any abnormality turns out to be material, a proactive preparation is advised, via internal or external means.

**WTS**

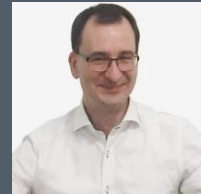
**China Contact**

Martin Ng  
Managing Partner  
[martin.ng@wts.cn](mailto:martin.ng@wts.cn)  
+ 86 21 5047 8665 ext.202



**Germany Contact**

Ralf Dietzel  
Partner  
[ralf.dietzel@wts.de](mailto:ralf.dietzel@wts.de)  
+49 (0) 89 28646 1745



Ened Du  
Senior Manager  
[ened.du@wts.cn](mailto:ened.du@wts.cn)  
+ 86 21 5047 8665 ext.215



Xiaolun Heijenga  
Partner  
[xiaolun.heijenga@wts.de](mailto:xiaolun.heijenga@wts.de)  
+ 49-69-1338 456 320



**WTS China Co., Ltd.**

Unit 031,29F, Hang Seng Bank Tower ,No.1000 Lujiazui Ring Road,  
Pudong New Area, Shanghai, 200120 PRC  
T: +86 21 5047 8665  
F: +86 21 3882 1211  
[www.wts.cn](http://www.wts.cn)  
[info@wts.cn](mailto:info@wts.cn)



**Disclaimer**

The above information is intended for general information on the stated subjects and is not exhaustive treatment of any subject. Thus, the content of this Infoletter is not intended to replace professional tax advice on the covered subjects. WTS China Co., Ltd. cannot take responsibility for the topicality, completeness or quality of the information provided. None of the information contained in this Infoletter is meant to replace a personal consultation. Liability claims regarding damage caused by the use or disuse of any information provided, including any kind of information which is incomplete or incorrect, will therefore be rejected. If you wish to receive the advice of WTS China Co., Ltd., please make contact with one of our advisors. All copyright is strictly reserved by WTS China Co., Ltd.