

## China makes VAT incentive claims easier

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#### In brief

- » China has further simplified the procedures for claiming VAT incentives.
- » The new procedure has taken effect from 1 April 2021.

Feedback

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**In detail**

China's State Administration of Taxation (SAT) has announced the new procedures for claiming VAT incentives. The details of the announcement are as below:

- » For claiming VAT reduction and exemption, a direct claim in the routine VAT filing form is sufficient (i.e. a separate application is no longer required). Supporting materials should be kept and be ready for inspection when necessary.
- » For claiming VAT refund for the first time, application materials and supporting materials must be submitted to the tax authority.

For any subsequent claims, if the transaction situations remain unchanged, the supporting materials are no longer required, except the application forms. If situations have changed, an explanation should be submitted to the tax authority in the next filing.

- » Taxpayers who no longer meet the criteria for VAT incentives should stop enjoying them from the month when they fail to meet the criteria.

The said new procedures have taken effect from 1 April 2021.

**WTS China observation**

Taxpayers are no longer required to prove their case before enjoying a VAT incentive. The new practice will undoubtedly reduce the workload. However, it should be noted that there is no change to the existing criteria.

In other words, taxpayers are now tasked with the obligation to review their own qualification, and are held responsible for any malpractices or errors.

In addition, the documentation record for each application has become more important than ever. Therefore, an adjustment to the tax function of a company should be made, to ensure the review and documentation tasks are well performed.

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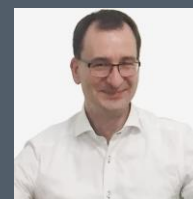
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