

中国税务 年度报告

State Taxation
Administration
Annual Report

2019



State Taxation Administration
People's Republic of China

State Taxation Administration Annual Report (2019)

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Commissioner's Message

Dear readers,

The *State Taxation Administration Annual Report (2019)* is officially published. This annual report provides a comprehensive view of China's fresh progress and new achievements in promoting high-quality tax modernization in a new era, encompassing development strategy, organizational structure, tax system, tax revenue, taxpayer services, tax collection and administration and tax digitalization. On behalf of the State Taxation Administration of the People's Republic of China (STA), I would like to express my sincere appreciation to our friends at home and abroad for supporting China's tax development.

The year of 2019 marks the 70th anniversary of the founding of the People's Republic of China. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China's tax authorities have solidly and meticulously implemented decisions made by the Central Committee of the Communist Party of China (CPC) and the State Council. With the spirit of solidarity and perseverance, the STA has successfully completed all the tasks and missions, embarking on a new journey of promoting high-quality tax modernization in a new era. Over the past year, tax and fee incentives have been thoroughly implemented, yielding a new increase of tax and fee cuts by more than 2.3 trillion yuan (RMB), and therefore easing the burdens on

enterprises and letting them enjoy policy dividends. In accordance with the law, China's tax authorities have secured a stable and high-quality revenue of taxes and fees in 2019, with the total amount reaching 18.3 trillion yuan (RMB) (excluding export tax refund). Throughout 2019, the STA has endeavored to coordinate the optimization of tax law-enforcement with the improvement of tax supervision system and deepen the reform of "delegating power, streamlining administration and optimizing government services". The STA has put in continuous effort to further improve tax business environment, standardize tax law-enforcement and optimize taxpayer services, with the goal of presenting tax and fee payers a more convenient, more efficient, more user-friendly and more satisfactory procedure in dealing with related matters. In addition, the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) has been established to bring the functions of taxation into full play. The STA has consolidated and expanded the achievements in the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations, further strengthening organizational system and team building.

As a Chinese saying goes, in a boat race, those who row the hardest will win. In 2020, China's tax authorities will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and implement decisions made by the Central Committee of the CPC and the State Council. The STA will further consolidate and expand the achievements of tax and fee cuts, guaranteeing the collection of taxes and fees in accordance with laws and regulations. In addition, the STA will continuously optimize tax business environment, further promote effective governance of taxation, and comprehensively improve the quality and effectiveness of tax modernization in a new era in order to strengthen the fundamental and supportive role of taxation in underpinning the national governance. Proceeding from these efforts, the STA will endeavor to make greater contributions to realizing a dual victory of epidemic control and economic and social development, securing a decisive victory in building a moderately prosperous society in all respects and poverty alleviation, and

the successful completion of the 13th Five-Year Plan.

As another Chinese saying goes, all people on earth are of one family and all nations should live in harmony. With this spirit, China's tax authorities will further deepen international cooperation and exchanges. The STA will earnestly implement the outcomes of the First Conference of Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) to better serve the building of the Belt and Road Initiative. The STA will actively participate in international tax rule making, energetically supporting both "going global" and "bringing in" to promote the all-round opening up on a larger scale and to a deeper level. At last, we sincerely hope that you will continue to support China's tax reform and development. We are looking forward, as always, to more coordination and cooperation between the STA and tax authorities around the world to collectively create a better future.

Wang Jun

A handwritten signature in black ink, consisting of two characters, likely '君' and '印' (Jin), which together form the name Wang Jun.

Commissioner, State Taxation Administration

January, 2020

Development Strategy

— Promoting Tax Modernization in a New Era to a New Stage

- ◇ Internalizing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era in Mind and Externalizing It in Practice
- ◇ Consolidating and Expanding the Achievements of Tax and Fee Cuts
- ◇ Endeavoring to Reach the Budgetary Revenue of Taxes and Fees
- ◇ Improving Tax Business Environment
- ◇ Optimizing Tax Law Enforcement
- ◇ Reinforcing and Improving Tax Supervision System
- ◇ Deepening International Tax Cooperation
- ◇ Strengthening Tax Staff Team Building

In order to promote tax modernization in a new era to a new stage, the STA must strengthen the overall leadership of the CPC, coordinate the implementation of tax and fee cuts with the collection of taxes and fees, constantly improve tax business environment, and promote the effectiveness of tax governance. Meanwhile, the STA will continue to promote the global influence of China Tax and enhance professional skills of tax officials, comprehensively improve the quality and effectiveness of tax modernization in a new era and strengthen the fundamental and supportive role of taxation in underpinning the national governance. Proceeding from these efforts, the STA will endeavor to make greater contributions to realizing a dual victory of epidemic control and economic and social development, securing a decisive victory in building a moderately prosperous society in all respects and poverty alleviation, and the successful completion of the 13th Five-Year Plan.

Internalizing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era in Mind and Externalizing It in Practice

Through the in-depth study and solid implementation of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the STA has constantly improved the mechanism of solid and faithful implementation of instructions given by General Secretary Xi Jinping and decisions made by the Central Committee of the CPC and the State Council, firmly acting in response to the goal of building a moderately prosperous society in all respects and the implementation of tax policies and services associated with "Three Tough Battles". Meanwhile, the STA has explored to establish the permanent mechanism of remaining true to the original aspiration and keeping the mission firmly in mind, comprehensively strengthening full and strict governance over the Party in tax authorities at all levels and seriously punishing tax officials who violate the Central Committee's eight-point decision on improving Party and government conduct.

Consolidating and Expanding the Achievements of Tax and Fee Cuts

The STA will further boost the vitality and confidence of market players through solidly implementing tax and fee incentives with more targeted measures and greater efforts. Meanwhile, the STA will continue to summarize the achievements and experience of tax and fee cuts and insist on active services, simplifying procedures and accurate accounting. The STA will further deepen tax co-governance and reinforce the efforts, quality and synergy in the process of implementation. In addition, the STA will further enhance the efforts of policy

publicity, targeting important periods and groups. The STA will put in more effort to implement policies and give special attention to addressing newly-arised problems. The STA will also further optimize taxpayer services to make tax and fee payers enjoy preferential policies more conveniently.

Endeavoring to Reach the Budgetary Revenue of Taxes and Fees

The STA will insist on collecting taxes and fees in accordance with the law, strengthening the matching of big data to accurately combat false issuance of invoices and export tax refund fraud. The STA will proactively help develop tax sources and further support the dynamic growth of private businesses. Meanwhile, the STA will safeguard the bottom line of collecting taxes and fees in accordance with the law and prevent excessive taxes. The STA will also steadily implement the collection and administration of social security contributions and non-tax revenue.

Improving Tax Business Environment

The STA will continuously deepen the reform of "delegating power, simplifying administration and optimizing government services", and establish the mechanism of positive and negative appraisal of all respects of taxation. The STA will carry out the Spring Breeze Project for its seventh consecutive year focusing on fighting COVID-19 and boosting development to serve building a moderately prosperous society in all respects. Meanwhile, the STA will continue to expand the scope of paperless tax refund filing and speed up the process of export tax refunding by 20% compared to 2019. In addition, the public service platform of VAT electronic invoices will be expanded and upgraded.

Optimizing Tax Law Enforcement

The STA will comprehensively implement the "Three Systems" regarding the administrative law-enforcement and speed up the establishment of a new quality control system for tax law-enforcement. Meanwhile, the STA will leverage big data for desk analysis, insist on risk-oriented approach, and strengthen the supervision featuring random selection and results publication as well as the differentiated management based on credit rating. The STA will also carry out prudent and inclusive supervision to ensure strict, impartial, procedure-based and non-arbitrary law-enforcement.

Reinforcing and Improving Tax Supervision System

The STA will reinforce and improve the mechanism regarding big data analysis and risk management, and further optimize the Golden Tax Project Phase Three. Meanwhile, the feasibility study and analysis of the Golden Tax Project Phase Four will be conducted. The STA will keep focusing on fake enterprises and exports, and initiate a two-year special program to combat false issuance of invoices and export tax refund fraud. In addition, the STA will deepen the development of internal control mechanism and establish an internal risk prevention and control system with full coverage, whole process control and shared responsibilities.

Deepening International Tax Cooperation

The STA will earnestly implement the outcomes of the First BRITACOF, assist Kazakhstan in holding the Second BRITACOF and make preparations for the Third BRITACOF. Meanwhile, the STA will actively participate in international rule-

making regarding taxation on the digitalization of the economy and promote the work of dispatching tax officials abroad.

Strengthening Tax Staff Team Building

The STA will strengthen the building of the leaderships of tax authorities at all levels and optimize the structure. Performance management and digital personnel management will be constantly improved to boost the vitality of tax staff. Meanwhile, the STA will further strengthen the construction of grass-roots organizations and formulate a new round of action plan. In addition, the platform "Study to Make Taxation Prosper" will be developed with high quality to better serve the growth of tax staff.

Hot Topics

- ◊ **Making Notable Achievements in Tax and Fee Cuts on a Larger Scale**
- ◊ **Deepening Tax Reform**
- ◊ **Promoting the Reform of Delegating Power, Streamlining Administration, and Optimizing Government Services**
- ◊ **Establishing BRITACOM**

The year of 2019 has witnessed many outstanding achievements in China's tax development, particularly in an effort to advocate the theme of reform and break new ground in openness, such as making notable progress in tax and fee cuts on a larger scale, deepening tax reform in Individual Income Tax and Value Added Tax, promoting the reform of "delegating power, streamlining administration and optimizing government services", establishing BRITACOM and so on.

Making Notable Achievements in Tax and Fee Cuts on a Larger Scale

In 2019, a series of tax and fee incentives have been implemented by the government, encompassing deepening tax reform of individual income tax and VAT, inclusive policies of tax reduction and exemption for small and micro enterprises, cutting social security contributions rate and so on. The amount of newly-increased tax and fee cuts in 2019 is more than 2.3 trillion yuan (RMB), exceeding 2% of GDP. With the tax burden on all sectors decreasing to varying degrees, these policies have effectively stimulated the vitality of market players and boosted confidence for economic development.

The implementation of tax and fee cuts has made remarkable results, driving GDP growth by 0.8% and fixed assets investment growth by 0.5% in 2019. After the VAT reform, a net increase of 88,800 general taxpayers on average per month has been achieved, nearly twice of the size before the reform. Meanwhile, the reform of Individual Income Tax has brought about newly-increased worth more than 300 billion yuan (RMB), driving the growth of total retail sales of social consumer goods by around 1%.

Deepening Tax Reform

○ Individual Income Tax (IIT) Reform

- Establishing the IIT system featuring a combination of a comprehensive approach and scheduler approach

The IIT system featuring a combination of a comprehensive approach and a scheduler approach has been preliminarily established by adopting comprehensive taxation on income from personal services and continuing scheduler taxation on income from capital.

Income from salary and wages, income from provision of independent personal services, income from author's remuneration and income from royalties have been incorporated into the scope of comprehensive taxation, and unified progressive tax rates are applicable.

- Raising the threshold of expense deduction

The threshold of basic deduction for comprehensive income has been raised from 3500 yuan (RMB) to 5000 yuan (RMB) per person per month.

- Establishing the itemized deductions system

The deduction standard of dependent children's education is 1000 yuan (RMB) per child per month. The deduction standards of continuing education for diplomas and continuing education for vocational qualification are set at 400 yuan (RMB) per month

and 3600 yuan (RMB) per year respectively. For the medical treatment of serious disease that exceeds 15,000 yuan (RMB), the deduction amount can be up to 80,000 yuan (RMB). For mortgage interest paid by first-time buyers, the deduction standard is 1000 yuan (RMB) per month. For housing rent, the deduction standards are 800 yuan (RMB), 1100 yuan (RMB) and 1500 yuan (RMB) per month respectively based on different cities. For the expenditure to support the dependent elderly, the deduction standard is 2000 yuan (RMB) for the only child, the deduction amount of 2000 yuan (RMB) could be equally shared by non-only children.

- Optimizing and adjusting tax rate structure

For income from personal services, based on seven-bracket progressive tax rates ranging from 3% to 45% that are applicable to income from salary and wages, the ranges of the three lower tax brackets (3%, 10%, 20%) are widened and the range of the middle tax bracket (25%) is narrowed, while the ranges of the top three tax brackets (30%, 35%, 45%) remain unchanged. For income from business operation, while keeping the original five-bracket progressive tax rates ranging from 5% to 35%, the range of each tax bracket is widened. For income from capital, the proportional tax rate of 20% remains the same.

- Adding anti-tax avoidance clause

This new clause empowers tax authorities to carry out tax adjustment using reasonable approaches and collect supplemental payments with surcharged interests in accordance with the law for those that transfer property not complying with arm's length principle, avoid taxes through overseas tax havens and conduct irrational business arrangement to acquire improper benefits.

- Establishing and improving the supporting system for tax collection and administration

For comprehensive income collected on a yearly basis, the mode of tax collection and administration featuring withholding self-filing, reconciliation, refunding of overpayment and supplemental payment for deficiencies, optimizing taxpayer services and ex post facto selective examination. Parts of low and middle income taxpayers that should make supplemental payments are exempt from the obligation of reconciliation. In addition, online channels for taxpayers to deal with tax-related matters, such as cellphones, computers, etc. and return pre-filling service are provided. The review process for tax refunding is simplified and the data regarding tax refund is transferred electronically in the whole process. The STA has also advanced information sharing with other government departments to simplify the process of dealing with tax-related matters and documentation filing.

○ VAT Reform

- Reducing VAT rates

From April 1, the VAT rates applicable to taxpayers with taxable sales or importing goods were cut from 16% and 10% to 13% and 9% respectively. After the reform, the three VAT brackets are 13%, 9% and 6%.

- Expanding the scope of input VAT deduction

One-off deduction can be applied to immovable property and domestic passenger transportation services have been included into deduction. Production and livelihood services can enjoy super deduction.

- Establishing the system of refunding excess input VAT at the end of a filing period

Based upon the implementation of the one-off refunding of excess input VAT in 2018, the system of refunding excess input VAT at the end of a filing period was established from April 1, 2019. The newly increased excess input VAT of eligible taxpayers can be refunded.

Promoting the Reform of Delegating Power, Streamlining Administration, and Optimizing Government Services

The STA has put in place 70 reform measures, 41 of which have been upgraded to institutional arrangements, facilitating the development of a market-oriented, rule of law-based and international business environment. The *Doing Business Report 2020* issued by the World Bank shows that China's paying taxes index rank has risen for three consecutive years. The time to comply has been reduced to 138 hours annually, which is better than the average 159 hours of high income OECD member countries, coming into top 50 for the first time. According to Taxpayer Satisfactory Survey conducted by the third party, the comprehensive score in 2019 has risen by 1.44 to 84.42, reaching a historic high.

- Deepening the Reform of Delegating Power and Streamlining Administration

The matter regarding the approval of payment of enterprise income tax on a consolidated basis for non-resident enterprises with different establishments

and sites has been cancelled. The procedures of tax administrative licensing has been simplified, reducing the time required for deferral of filing to ten days, and cancelling the submission of eight related documents. Through measures of reducing matters, forms and documents and simplifying procedures and operations, the way of dealing with tax-related matters regarding starting a business has changed from "sequential" to "parallel", with four forms merged into one, and the time spent on applying for and obtaining invoices for the first time in several provinces has been reduced from two days to one day. In addition, the STA has further optimized the process of tax deregistration, increasing the proportion of exempting from and immediate processing of tax settlement certificate to more than 85%. Sixty tax certification matters have been cancelled in three batches, relating to 231 specific tax-related matters.

○ Innovating Supervision Approach

The STA has carried out the supervision approach of "credit plus risk", which prevents disturbing taxpayers with a high credit rating and low risks if there is no anomaly and stresses joint incentives and puts taxpayers with a low credit rating and high risks under strict supervision. Meanwhile, the STA has comprehensively promoted the "Three Systems" disclosing information on administrative law enforcement, recording the entire enforcement process and examining the legality of important decisions of law-enforcement, which has been making law-enforcement transparent, standardized, legal and just. In addition, tax auditing featuring random selection and result publication has been deeply promoted, realizing full coverage of daily supervision. The STA has also conducted a two-year special program to jointly combat false issuance of invoices and export tax refund fraud with the Ministry of Public Security of the People's Republic of China, the General Administration of Customs of the People's Republic of China and the

People's Bank of China. Proceeding from these efforts, 220,000 taxpayers suspected of committing false issuance and fraudulent claims were examined from August 2018 to the end of 2019, and 2,501 individuals surrendered themselves to related authorities, which has effectively maintained the justice and order of taxation.

○ Optimizing Taxpayer Services

The STA has carried out the Spring Breeze Project for its sixth consecutive year, introducing a total of 35 categories with 123 items of convenient measures for taxpayers, which has made online processing of tax-related matters, enjoying preferential policies in detailed lists, one-stop inquiry about invoices etc. gradually a new normal. Thirty-six measures in four batches have been put in place to tackle difficulties and obstacles encountered by taxpayers in dealing with tax-related matters. The reform of "on-site presence for once at most" has been further advanced and promoted to 70% of tax-related matters, and a part of matters is being upgraded to "no on-site presence". In addition, the national public service platform of electronic invoices have been developed to provide taxpayers with services such as invoices issuance, printing, delivery, inquiry, etc. Paperless filing of export tax refund has also been deeply advanced and the proportions of the taxpayers and tax amount through paperless filing have both exceeded 90%.

Establishing BRITACOM

○ First Conference of BRITACOF

On April 18, 2019, the First Conference of the BRITACOF was held in Wuzhen, Zhejiang province, with theme of *Jointly Building "Belt and Road", Strengthening International Tax Cooperation and Promoting Business Environment*. Three hundred and fifty delegates from the tax authorities of 85 countries (regions), 16 international organizations and a number of academic institutions and businesses attended the First Conference of BRITACOF. Delegates from the tax authorities of 50 countries (regions), 7 international organizations and 3 academic institutions jointly signed the *Memorandum of Understanding on the Establishment of the BRITACOM* signifying the official founding of the BRITACOM. There are 34 Members of the BRITACOM Council (Member TA), 22 Observers, 19 Members of the Belt and Road Tax Administration Capacity Enhancement Group (BRITACEG), and 14 BRITACEG Partners. Eleven world-famous tax experts signed up to be the Members of the Advisory Board. *Wuzhen Statement* and *Wuzhen Action Plan (2019–2021)* was released at the BRITACOF.

The BRITACOM is a multilateral cooperation platform, encompassing the Council, the Secretariat, the BRITACOF and the BRITACEG. The Council is the decision-making body of the BRITACOM. The Secretariat is the liaison office of the BRITACOM. The BRITACOF is a non-profit officially organized event authorized by the Council. The BRITACEG is dedicated to conducting tax-related training, research and technical assistance programs. At present, the BRITACEG

has established the Belt and Road Initiative Tax Academy (BRITA) in Beijing and Yangzhou respectively (See Figure 1).

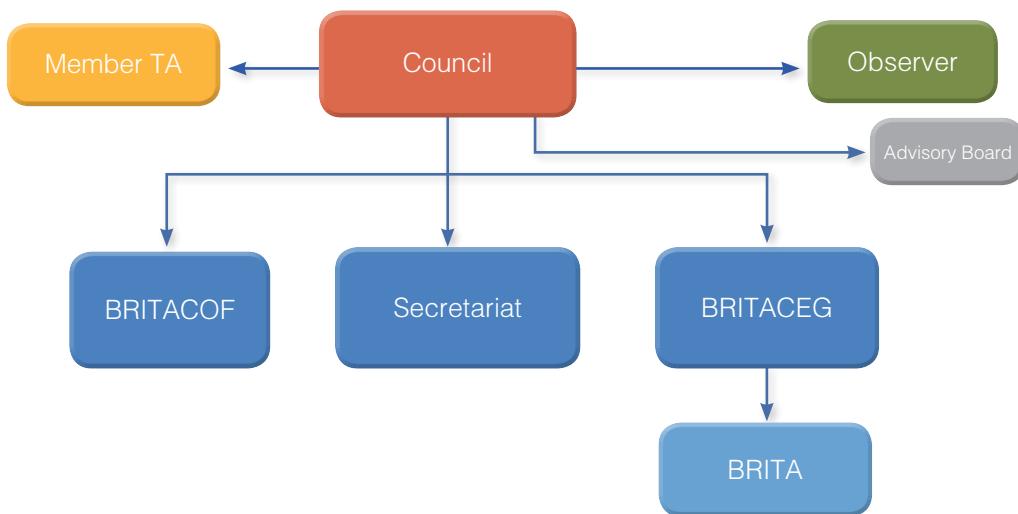


Figure 1 Organizational Structure of BRITACOM

○ Multilateral Seminar of BRITACOM

The Multilateral Seminar of the BRITACOM was held in Beijing on 6–8 November, 2019. Twenty-one foreign delegates attended this Multilateral Seminar of the BRITACOM, including the Vice-Chair of the BRITACOM, the Chair of the Task Forces for the implementation of *Wuzhen Action Plan (2019–2021)*, tax officials from 7 countries (regions) as well as Members of the Advisory Board, laying a solid foundation for the successful preparation of the Second BRITACOF and steady promotion of the BRITACOM.

○ Steady Promotion of BRITACOM

The Secretariat, the liaison office of the BRITACOM, has been operating on a regular basis, and has made plans for the Second BRITACOF with high standards, preparing for the conference agenda and invitation. Meanwhile, the Secretariat accelerates the implementation of *Wuzhen Action Plan (2019–2021)* by setting up task forces, and mobilizes various resources to draft the mid-term report of task forces. The BRITACEG has conducted 12 sessions of high-quality trainings and other related trainings attended by 366 tax officials from 66 countries (regions). In addition, the Secretariat has coordinated with related stakeholders to jointly build the BRITACOM and enhanced the exchanges and cooperation as well as publicity and presentation to promote the influence of the BRITACOM through the existing international cooperation platforms and various bilateral and multilateral activities.

Organizational Structure

- ◊ **Organizational Structure and Responsibilities of the State Taxation Administration (STA)**
- ◊ **Organizational Structure and Responsibilities of Tax Services at the Provincial Level and Below**
- ◊ **Workforce Demographics**

Formerly founded as a directorate within the Ministry of Finance (MOF) in 1950, the State Taxation Administration (STA) is now an independent organization directly under the State Council. In 1994, China implemented the reform of the tax-sharing fiscal system, establishing state and local tax administrations at the provincial level and below. State tax administrations fall under the direct supervision of the STA in terms of organization, staffing, official and budget management; while local tax administrations are under the dual leadership of the STA and the provincial governments. In accordance with the *Program on Deepening the Party and State Institutional Reform* issued by the Central Committee of the CPC and the *Program on the Institutional Reform of the State Council* approved by the First Session of the 13th National People's Congress, the STA initiated the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations, starting from March 2018. As a result, state and local tax administrations at the provincial level and below were merged, responsible for collecting and administering various taxes and non-tax revenue within specific jurisdictions. The responsibility of collecting all types of social security contributions, including basic endowment insurance, basic medical insurance and unemployment insurance, is vested in tax authorities. This integration generates a dual leadership of the STA and provincial Party committees and governments (including Party committees and governments of autonomous regions and municipalities), with the STA playing a leading role.

Organizational Structure and Responsibilities of the State Taxation Administration (STA)

○ **Organizational Structure of State Taxation Administration (STA)**

The leadership of the State Taxation Administration is composed of one Commissioner, four Deputy Commissioners, one Chief Economist, one Chief Accountant and one Chief Auditor. The STA consists of eighteen Functional Departments (e. g. General Office), nine Public Institutions directly under the STA (e. g. E-Tax Management Center), one Institution directly under the STA and Special Commissioner's Offices. (See Figure 2)

Discipline Inspection Office is designated within the STA by the Commission for Discipline Inspection of the Central Committee of the CPC and the National Supervisory Commission of the People's Republic of China.

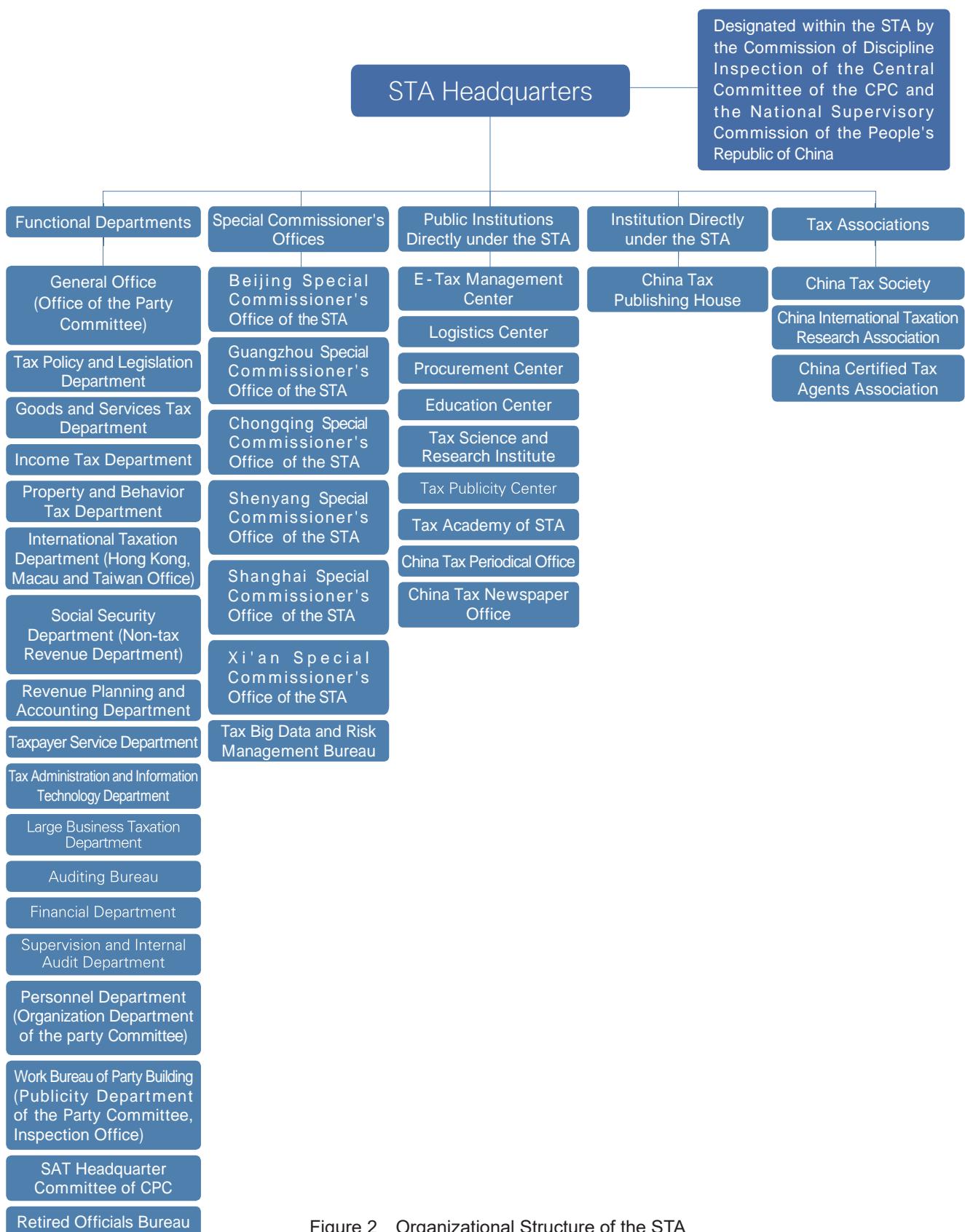


Figure 2 Organizational Structure of the STA

○ Major Responsibilities of STA

- ◆ Drafting tax laws, regulations and detailed implementing rules; providing advice on the making of tax policies; making joint efforts with the MOF to report and instructing implementation measures; interpreting tax laws and policies in the process of enforcement and reporting afterwards to the MOF for record-filing.
- ◆ Undertaking the responsibility of collecting and administrating state taxes, shared taxes and legally required funds (fees) to ensure collection of the due amount of taxes.
- ◆ Participating in formulating macro-economic policies and regimes of state and local tax; conducting research on overall tax burden and providing advice and suggestions for state macro control through taxation.
- ◆ Undertaking the responsibility of implementing reforms of tax collection and administration; drafting laws on tax collection and administration and formulating detailed implementing rules; formulating and supervising the enforcement of rules and regulations of tax collection and administration; supervising and inspecting the implementation of laws, regulations and policies on tax collection and administration.
- ◆ Undertaking the responsibility of constructing taxpayer service system; designing taxpayer service system, standardizing taxpayer service; designing and supervising the enforcement of guarantee system for taxpayers' rights.
- ◆ Implementing classified management and professional service for taxpayers; implementing taxpayer service and tax sources management for large businesses.

- ◆ Undertaking the responsibility of drafting long- and medium-term and annual plans for tax revenue; implementing investigation of tax sources; improving accuracy of analysis and forecast for tax revenue; implementing measures of tax reliefs.
- ◆ Undertaking the responsibility of formulating informationization system of tax administration; drafting long- and medium-term of plan on construction for informationization system of tax administration; implementing construction for Golden Tax Project.
- ◆ Conducting international tax exchanges and collaborations; participating in international and regional tax negotiations; initialing and implementing tax agreements and treaties.
- ◆ Handling import/export tax and export tax refund.
- ◆ Implementing a dual leadership of the STA and the governments of provinces (autonomous regions and municipalities), with the STA playing a leading role.
- ◆ Undertaking other tasks assigned by the Central Committee of the CPC and the State Council.

Organizational Structure and Responsibilities of Tax Services at the Provincial Level and Below

Three levels of tax service are established at the provincial level and below, namely provincial, municipal and county. (See Table 1 and Figure 3)

Table 1 Organizational structure of tax services at the provincial level and below

Organizational Hierarchy	Number of Tax Services
Tax services of provinces, autonomous regions, municipalities directly under the central government, cities specifically designated in the state plan	36
Tax services of sub-provincial cities	10
Tax services of cities, autonomous prefectures and leagues	358
District offices of tax services in municipalities directly under the central government and cities specifically designated in the state plan	146
District offices of tax services in sub-provincial cities	134
County tax services (city, district and banner)	3094

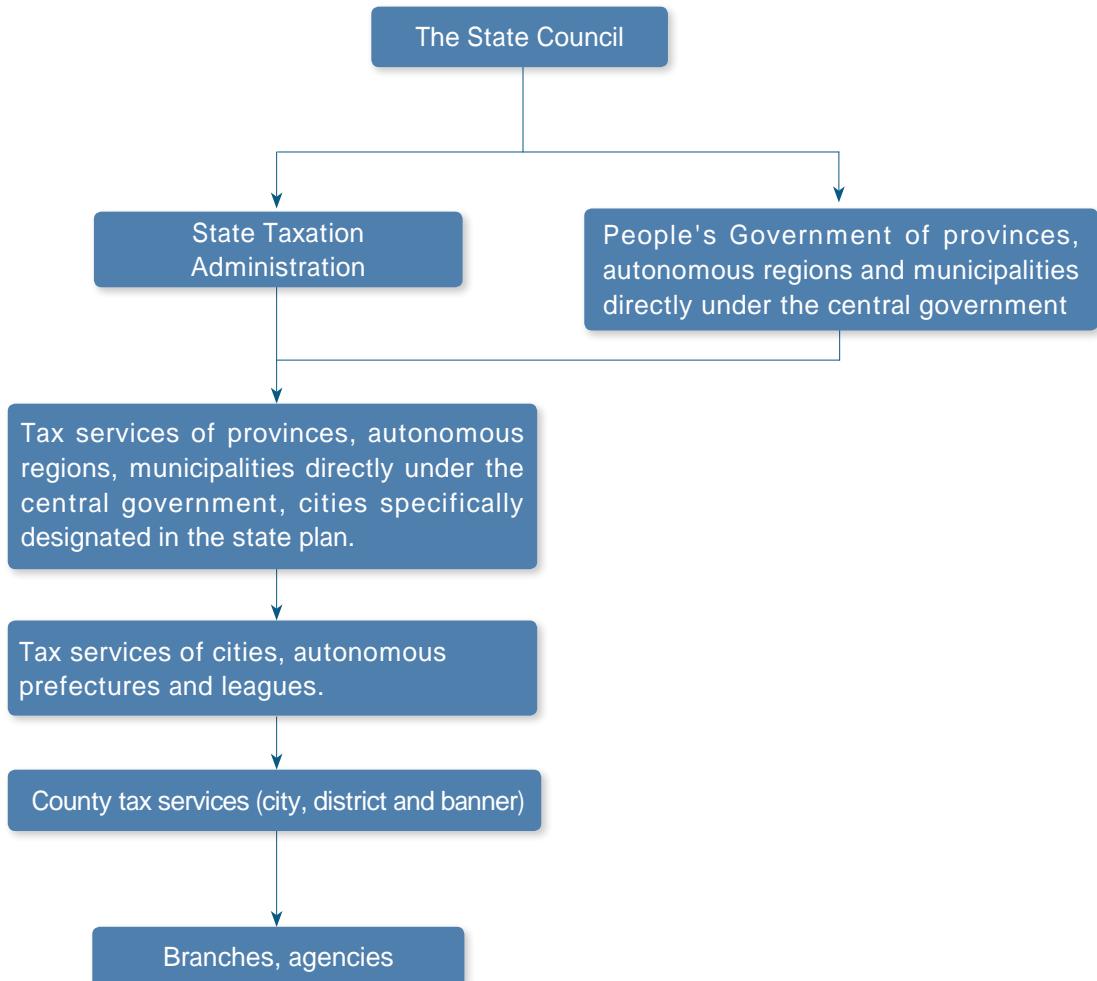


Figure 3 Organizational Structure of Tax Authority

○ Major Responsibilities of Tax Services at the Provincial Level

- ◆ Undertaking the responsibilities of implementing lines, principles and policies of the CPC; strengthening total leadership of the CPC; fulfilling the responsibilities of operating the CPC comprehensively under strict discipline; undertaking the responsibilities of party building and strengthening ideological and political work.
- ◆ Undertaking the responsibilities of implementing laws, regulations, and rules and normative documents on tax, social security and non-tax revenue; formulating detailed implementing rules through research; implementing supportive tax policies proposed by state.
- ◆ Undertaking the responsibilities of drafting long- and medium term plan on tax, social security and non-tax revenue within tax services at provincial level and below; participating in drafting budget of tax, social security and non-tax revenue and implementing the budget in accordance with the law; undertaking the responsibility of accounting on tax, social security and non-tax revenue within tax services at provincial level and below; implementing analysis and forecast of tax revenue.
- ◆ Undertaking the responsibilities of implementing economic analysis and effects of tax policies to provide advice and suggestions for State Taxation Administration and local party committees and governments.
- ◆ Undertaking the responsibilities of collecting and administrating tax, social security and non-tax revenue within jurisdiction; implementing tax sources supervision and risk management; strengthening tax administration for large businesses and natural person.

- ◆ Undertaking the responsibilities of systems construction on tax, social security and non-tax revenue within tax services at provincial level and below; implementing taxpayer service and taxation publicity; protecting the legitimate rights and interests of taxpayers and payers; undertaking administrative penalties hearing, administrative reconsideration and administrative procedures.
- ◆ Undertaking the responsibilities of administrating international taxation and imports and exports taxation within jurisdiction; implementing anti-tax avoidance investigation and handle export tax refund.
- ◆ Undertaking the responsibilities of tax auditing and inspection of social security and non-tax revenue within jurisdiction.
- ◆ Undertaking the responsibilities of classified management on VAT special invoice, VAT invoice and other types of invoice; undertaking the responsibility of administrating invoice and certificate of tax, social security and non-tax revenue.
- ◆ Undertaking the responsibility of implementing the construction of Information Technology and a data-based approach to governance in various tax collection and administration, social security and related non-tax revenue collection and administration within tax services at provincial level and below.
- ◆ Undertaking the responsibilities of building internal control mechanism; supervising and inspecting the faithful implementation of major decisions by the Central Committee of the CPC and the State Council and work designated by higher-level institutions; implementing the supervision of tax law enforcement.

- ◆ Undertaking the responsibilities of organizational building at grassroots level and the officials development within tax services at provincial level and below; strengthening the development of leading bodies and the building of reserve officials; undertaking the responsibilities of taxation personnel development and officials education and training; undertaking the responsibilities of performance-based management and officials evaluation within tax services at provincial level.
- ◆ Undertaking the responsibilities of structure, staffing, budget and asset management within tax services at provincial level and below.
- ◆ Undertaking other tasks assigned by the STA and local party committees and governments.

○ Major Responsibilities of Tax Services below the Provincial Level

Following the principles of hierarchical management and well-defined rights and responsibilities; undertaking the responsibilities of improving party building, strengthening ideological and political work and consolidating the official development; prioritizing the function of management and service in direct contact with tax payers and individuals; undertaking the responsibilities of various tax collection and administration, social security and related non-tax revenue collection and administration within its jurisdiction.

Workforce Demographics

There are 720,000 in-service tax officials in tax authorities nationwide. The State Taxation Administration (STA) has 1,536 tax officials. Tax services at the provincial level and below have 719,000 tax officials. (See Figure 4)

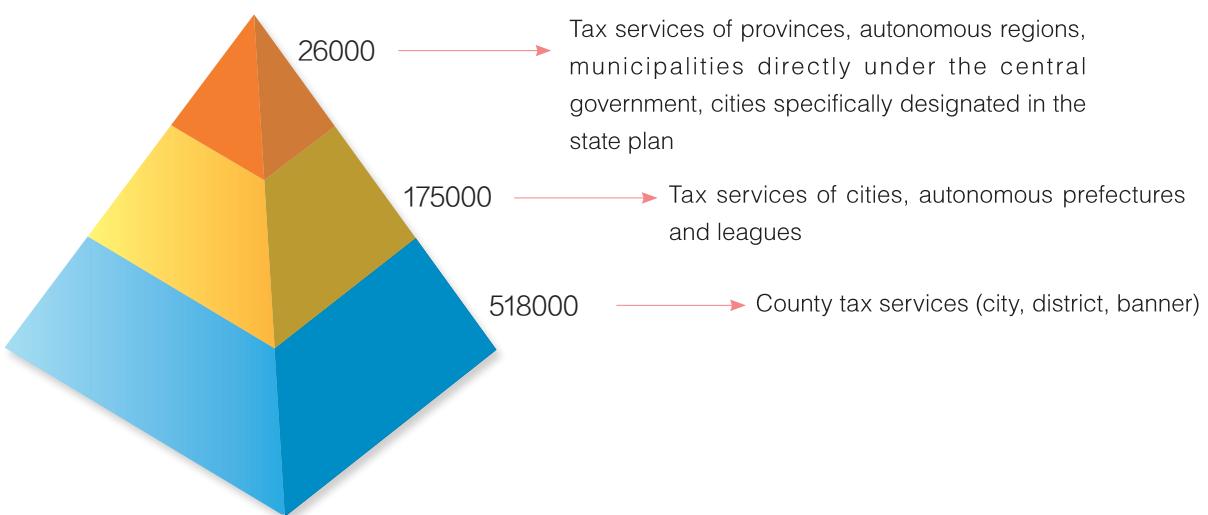


Figure 4 Workforce Demographics of Tax Services at All Levels

Tax System

- ◊ Current Tax System
- ◊ Tax System and Adjustments in 2019

China's current tax framework was put in place after the tax reform in 1994 to meet the needs of the socialist market economy. Since the beginning of 21st century, the Chinese government has made a series of adjustments and improvements to the tax system, which has guaranteed the government's revenue and contributed to the country's rapid economic growth.

Milestones

2006 Agricultural Tax, which had existed for over 2000 years in China, was abolished.

2007 Urban Land Use Tax System for domestic enterprises (DEs), foreign enterprises (FEs) and individuals were integrated.

2008 Enterprise Income Tax systems for DEs and FEs were integrated.

2009

- ◆ Real Estate Tax systems for DEs and FEs were integrated.
- ◆ Fee-to-Excise Tax conversion on refined oil products was adopted.
- ◆ VAT transformation from a manufacturing-oriented to consumption-oriented system was completed. Enterprises were allowed to deduct the input VAT on purchasing machinery and equipment from their output VAT.

2010 Urban Maintenance and Construction Tax systems for DEs, FEs and individuals were integrated.

2012 Business Tax to VAT Pilot Reform was carried out in the transportation sector and certain modern services sectors in several regions.

2013 Business Tax to VAT Pilot Reform was extended to other parts of China.

2014 Business Tax to VAT Pilot Reform was further extended to the sectors of railway transportation, mail and telecommunications.

2015 Progress was steadily made with the Business Tax to VAT Reform and Excise Tax Reform. Resource Tax was reformed to be levied on an ad valorem basis.

2016 Business Tax to VAT Pilot Reform was extended comprehensively to cover all goods and services. Resource Tax Reform on an ad valorem basis was enlarged in its coverage. *Environmental Protection Tax Law of the People's Republic of China*, as adopted at the 25th Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China, came into force on January 1, 2018.

(continued)

2017

VAT rates were simplified with the rate of 13% abolished, which led to a structure of VAT with 17%, 11% and 6%. The *Provisional Regulations of Business Tax of the People's Republic of China* was abolished. The *Provisional Regulations of VAT of the People's Republic of China* was revised. The *Corporate Income Tax Law of the People's Republic of China* was revised to give further support to donation for public welfare. The scope of pilot reform on Water Resource Tax was enlarged to 9 provinces (autonomous regions, municipalities directly under the Central Government) including Beijing. The *Enforcement Regulations of the Law of the People's Republic of China on Environmental Protection Tax* was issued. The *Law of the People's Republic of China on Tobacco Leaf Tax* and the *Vessel Tonnage Tax Law of the People's Republic of China* were approved by voting during the 31st Session of the Standing Committee of the 12th National People's Congress and will take effect from July 1, 2018.

2018

With the VAT reform further pressed ahead, the original 17% and 11% tax rates were adjusted to 16% and 10% respectively to form a three-level VAT rate schedule of 16%, 10% and 6%. By raising the threshold of small-scale VAT taxpayers to annual turnover of no more than five million RMB, qualified general VAT taxpayers were given the right to re-register as small-scale taxpayers by the end of 2018. Companies in the advanced manufacturing industry like equipment manufacturing and modern services industry like R&D and power grid companies with outstanding input VAT not credited in a specified tax period are eligible for refund on a lump-sum basis..

2019

The original 16% and 10% VAT rates were adjusted to 13% and 9% respectively to form the current three-level VAT rate schedule of 13%, 9% and 6%; the scope of input tax deduction were expanded to include one-off deduction of supporting real estate, deduction of domestic passenger transport services, and additional deduction of production and living service industries; a VAT rebate system were formally established to refund eligible taxpayers their incremental VAT allowance. Preferential tax reduction and exemption policies for small and micro businesses were implemented, and tax incentives for small and micro businesses were increased.

On January 1, 2019, the *Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China* was officially implemented. On September 1, 2019, the *Law of the People's Republic of China on Farmland Occupation Tax* officially came into force. On August 26, 2019, the 12th Session of the Standing Committee of the 13th National People's Congress deliberated and adopted the *Law of the People's Republic of China on Resource Tax*, which will come into force on September 1, 2020.

Current Tax System

There are eighteen different kinds of taxes in China, which can be divided into three categories according to their nature. (See Table 2)

- ◆ Goods and services taxes, including VAT, Excise Tax, Vehicle Purchase Tax and Customs Duty.
- ◆ Income taxes, including Enterprise Income Tax and Individual Income Tax.
- ◆ Property and behavior taxes, including Land Appreciation Tax, Real Estate Tax, Urban and Township Land Use Tax, Farmland Occupation Tax, Deed Tax, Resource Tax, Vehicle and Vessel Tax, Stamp Tax, Urban Maintenance and Construction Tax, Tobacco Tax, Vessel Tonnage Tax and Environmental Protection Tax.

Table 2 Current Tax System (2019)

Serial Number	Taxes	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
Goods and Services Taxes				
1	VAT	Entities and individuals that sell goods or provide processing, repair and installation services, or sell services, intangible assets and immovable property within China, those that import goods into China	Selling and importing goods; providing processing, repair and installation services; selling services, intangible assets and immovable property	Tax rates: 13%, 9%, 6% Collection rates: 3%, 5%
2	Excise Tax	Entities and individuals that engage in production, consigned processing within China, or importing taxable consumer goods into China, Other entities and individuals that sell taxable consumer goods designated by the State Council	Fifteen types of consumer goods such as tobacco, alcohol, car, refined oil etc.	Ad valorem, specific duty, or combination of both

(continued)

Serial Number	Taxes	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
3	Vehicle Purchase Tax	Entities and individuals that purchase taxable vehicles within China	Purchase of cars, motorcycles with displacement of more than 150 ml, trams and trailers.	10%
4	Customs Duty ^①	Consignee of imported goods, consignor of exported goods, and owners of articles entering China	Goods allowed to be imported into and exported from China, and articles entering China	Ad valorem, specific duty, or combination of both
Income Taxes				
5	Enterprise Income Tax	Enterprises within China, including resident and non-resident enterprises	Taxable income received by resident and non-resident enterprises	25% for resident enterprises, 20% and 25% for non-resident enterprises
6	Individual Income Tax	Resident taxpayers: individuals with a domicile in China or having resided in China for a period aggregating 183 days or more in a taxable year	Income derived from inside China or outside China	Comprehensive income: progressive rates from 3% to 45%; Business income: progressive rates from 5% to 35%; Income derived from interests, dividends and bonuses, leasing or transfer of property, and incidental income: 20%
		Non-resident taxpayers: individuals having no domicile or residence in China or having resided in China for a period aggregating no more than 183 days in a taxable year	Income derived from inside China	

(continued)

Serial Number	Taxes	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
Property and Behavior Taxes				
7	Land Appreciation Tax	Entities and individuals that transfer the right to use State-owned land, above-ground structures and their attached facilities within China, and obtain income from such transfer	The incremental value of such transfer	Four-level progressive rates (30%, 40%, 50%, 60%)
8	Real Estate Tax	Owners of houses within cities, county towns, administrative towns and industrial and mining districts within China	Houses within cities, county towns, administrative towns and industrial and mining districts	Taxes for self-occupied houses are calculated on the basis of the residual value (70%~90% of the original cost with a tax rate of 1.2%); Taxes for rented houses are calculated on the basis of the rental income, and the applicable tax rate is 12% (Rental of personal-owned residential houses is taxed at 4% of rental income; rental of residential houses by enterprises and public institutions, social groups and other entities is taxed at a preferential rate of 4%)
9	Urban and Township Land Use Tax	Entities and individuals that use land in cities, county towns, administrative towns and industrial and mining districts	Actual area of the land occupied by the taxpayer	Land use tax per square meter per year: 1.5~30 RMB for big cities; 1.2~24 RMB for medium-sized cities, 0.9~18 RMB for small cities, and 0.6~12 RMB for county towns, administrative towns and industrial and mining districts

(continued)

Serial Number	Taxes	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
10	Farmland Occupation Tax	Entities and individuals who use arable land to build houses or for other non-agricultural construction purposes with-in China	Actual area of the arable land occupied by the tax-payer	Differentiated tax rates for different locations
11	Deed Tax	The transferee (entities and individuals) of land and houses within China	Market price for the transferred right to use the land or the right of ownership of the house, or the price margin resulting from the exchange of the land use right and house ownership	3%~5%, purchase of houses under 90 square meters (including 90 square meters) by individuals, which is the only house of the household, is taxed at a preferential rate of 1% and purchase of houses above 90 square meters, the tax rate is 1.5%. Purchase of the second houses under 90 square meters by individuals to improve living condition, the tax rate is 1% and purchase of houses above 90 square meters, the tax rate is 2%. Not applied to Beijing, Shanghai, Guangzhou and Shenzhen
12	Resource Tax	Entities and individuals engage in exploiting various taxable mineral resources or producing salt	Crude oil, natural gas, coal, other non-metal ores, ferrous ores, non-ferrous ores and salt	Ad valorem tax or per unit tax for different resources, for example, 5%~10% of the sales for crude oil and natural gas
13	Vehicle and Vessel Tax	Owners or managers of the taxable vehicles and vessels within China	Vehicles and vessels	Differentiated fixed amount tax

(continued)

Serial Number	Taxes	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
14	Stamp Tax	Entities and individuals who conclude or receive taxable documents in China	Taxable documents concluded or received	Flat tax rate or fixed amounts per document
15	Urban Maintenance and Construction Tax	Entities and individuals that pay value added tax, consumption tax and Business Tax	Amounts of value added tax, excise tax and Business Tax paid by taxpayers	Three tax rates depending on the taxpayers' location, i. e. 7% (urban area), 5% (county towns, towns) and 1% (areas other than the urban area, county towns or towns)
16	Tobacco Tax	Entities that engage in the purchasing of tobacco leaves within China	Tobacco leaves purchased within China	20%
17	Vessel Tonnage Tax ^②	Vessels entering Chinese ports from overseas ports	Vessels	Fixed Volume tax, including preferential rates and normal rates
18	Environmental Protection Tax	Enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the People's Republic of China and other sea areas under the jurisdiction of the People's Republic of China	Air pollutants, water pollutants, solid waste and noise pollution as prescribed in the <i>Schedule of Tax Items and Tax Amounts of Environmental Protection Tax</i> and the <i>Schedule of Taxable Pollutants and Equivalent Values of the Environmental Protection Tax Law of the People's Republic of China</i>	Governed by the <i>Schedule of Tax Items and Tax Amounts of Environmental Protection Tax</i> attached to the <i>Environmental Protection Tax Law</i>

Note: ①②The customs authorities are responsible for the administration of Customs Duty and Vessel Tonnage Tax, and also taking the responsibility for the collection of VAT and Excise Tax on imported goods.

Tax System and Adjustments in 2019

○ Lowering VAT Rates

Starting from April 1, 2019, the VAT rate for sales of product and imported goods is reduced from 16% to 10% and 13% to 9% respectively. The deduction rate of input tax for purchased farm produce is adjusted from 10% to 9%. Farm produce purchased for production and contracted processing taxed at 13% VAT rate is subject to a 10% deduction rate. By implementing the reform, a three-tier VAT rate schedule of 13%, 9% and 6% is established.

Starting from April 1, 2019, exports taxed at 16% and 13% and cross-border activities taxable at 13% are subject to refund rates of 13% and 9% adjusted from 16% and 13% respectively. By implementing the reform, a five-range VAT rate schedule of 13%, 10%, 9%, 6% and 0 is established.

Starting from April 1, 2019, tax refund rate for articles eligible for departure tax refund is adjusted from one single tax rate (11%) to two tax rates (11% and 8%). Tax refundable articles taxed at 13% and 9% are subject to refund rates of 11% and 8% respectively.

○ Expanding the Scope of Input VAT Deduction

Input VAT from purchasing domestic passenger transport services is allowed to deduct from the output VAT. Input VAT from acquiring or constructing real estate is no longer deducted in 2 years. Outstanding input VAT not credited before is eligible for deduction from output VAT since the tax period of April 2019.

○ Introducing the Policy of Super VAT Deduction for Production and Livelihood Services

From April 1, 2019 to December 31, 2021, general taxpayers in production and domestic service industries are allowed to deduct their input VAT of the current period by an additional 10% to offset the tax payable. In order to further promote the development of life service industry, from October 1, 2019 to December 31, 2021, taxpayers in life service industry are allowed to calculate an additional 15% of input VAT deductible for the current period to offset the tax payable, when calculating taxable incomes.

○ Formally Establishing the System of Refunding the Excess Input VAT at the End of a Tax Period

Starting from April 1, 2019, eligible taxpayers can get the refund for their newly increased excess input VAT.

○ Fully Implementing the Combination of a Comprehensive IIT System and a Scheduler IIT System

A new IIT system integrating the comprehensive and scheduler systems came into effect on January 1, 2019. The new system introduces six specific deductible items in IIT calculation, and categories income from wages and salaries, remuneration for personal service, author's remuneration, and royalties as comprehensive income subject to an increased deduction ratio and a unified progressive tax rates.

Meanwhile, the criteria for determining the length of residence of an individual without a domicile in China, the source of income, the calculation of income from wages and salaries, the calculation of taxes, and the applicable tax treaties are defined; and the applicable taxable income items for relevant income which was taxed as "other income" in the original tax law are also adjusted.

○ Implementing Inclusive and Favorable Tax Reduction and Exemption Policies for Small and Micro Businesses

From January 1, 2019 to December 31, 2021, the tax-free sales standard of small-scale VAT taxpayers is raised from 30,000 yuan per month (90,000 yuan per quarter) to 100,000 yuan per month (300,000 yuan per quarter). For the portion of the annual taxable income of a small and micro enterprise not exceeding 1 million yuan, a 75% discount is applied to calculate taxable income together with a 20% enterprise income tax rate; for the portion exceeding 1 million but not exceeding 3 million yuan, a 50% discount is applied to calculate taxable income together with a 20% enterprise income tax rate.

Note: the term "small and micro enterprise" refers to an enterprise engaging in the unrestricted and non-prohibited industries of the state and meeting three conditions where its annual taxable income does not exceed 3 million yuan, its number of employees does not exceed 300 people and its total asset does not exceed 50 million yuan.

○ Putting in Place Tax Incentives to Encourage Innovation

Starting from January 1, 2019, the scope of accelerated depreciation preference for fixed assets is extended to all manufacturing industries.

The policy of "two-year exemption and three-year halving" (that is, a preferential period starts from the profit-making year of an enterprise before December 31, 2018. In the 1st and 2nd year of the preferential period, corporate income tax is exempted. In the 3rd to 5th year, applicable corporate income tax rate is halved at the legal rate of 25% and it is applicable until the end of the preferential period.) is continued to be applicable for eligible IC design enterprises and software enterprises.

From January 1, 2019 to December 31, 2023, venture capital enterprise can calculate its annual income either by single investment fund or as a whole of the enterprise. Payable IIT shall be calculated upon the income of individual partners derived from venture capital enterprise.

From January 1, 2019 to December 31, 2023, overseas high-end talents and talents in short supply working in the greater bay area is subsidized on the difference of individual income tax burden between the Chinese mainland and Hong Kong, and the subsidy is exempted from IIT.

○ Improving Preferential Tax Policies to Support People's Livelihood

From January 1, 2019 to December 31, 2021, strengthened tax support is provided for the disabled, ex-soldiers, college graduates holding Employment and Self-employment Certificate or Employment and Unemployment Registration Certificate, and unemployed people seeking employment and reemployment. The preferential targets are expanded, from certain enterprises such as trading enterprises to all enterprises, and the registered poor people are also clarified to be within the scope of policy support; in terms of preferential amount, limit on deductible tax of key groups engaged in self-employed business is adjusted from 8,000 yuan per household to 12,000 yuan per household per year, and limit on deductible tax of relevant enterprise recruiting key groups is adjusted from 4,000 yuan per person per year to 6,000 yuan per person per year.

From June 1, 2019 to December 31, 2022, enterprises' expenditures on poverty alleviation donation to target poverty alleviation areas, through public welfare social organizations or people's governments at or above the county level (including county level) and their constituent departments and directly affiliated institutions, are deductible in line with fact when calculating the amount of taxable corporate income. Self-produced, contracting processed or purchased goods donated by units or private businesses directly, or through public welfare social organizations or people's governments at or above the county level (including county level) and their constituent departments and directly affiliated institutions, to units and individuals in target poverty alleviation areas is exempted from VAT.

From June 1, 2019 to December 31, 2025, for institutions providing community services such as elderly nursing, childcare and housekeeping, VAT is exempted on their income derived from such services, and a 10% discount is applied when calculating their taxable corporate income derived from such services. Deed Tax is exempted on real estates and lands used in providing community services such as elderly nursing, childcare and housekeeping. And Real Estate Tax and Urban and Township Land Use Tax is also exempted on real estates and lands self-owned, rent or free used by institutions providing such services.

From March 1, 2019, production, sales, wholesale and retail of rare disease medicine is taxed at a VAT collection rate of 3%. Imported rare disease medicine is taxed at a preferential VAT rate of 3% when imported.

○ Extending the Execution Period of Some Preferential Policies

Preferential policies expiring by the end of 2018 are extended to stay effective. Preferential policies for large passenger jets and new regional jets, VAT exemption for Boarder Sales Tea, preferential policies for safe drinking water projects in rural areas, VAT preferential policies for domestic anti-HIV drugs, preferential policies for heating enterprises and public rental housing are extended to stay effective until the end of 2020; preferential policies for some state reserve goods, urban bus stations, university student apartments, and wholesale markets and farmers' markets of farm products are extended to stay effective until the end of 2021; VAT exemption on the issuance and printing income of party newspapers and periodicals, preferential policies for transformation of profit public culture intuitions in the cultural system reform, and the pre-tax deduction policy for financial enterprises on their loss reserve for loans provided to agricultural and small-and medium-sized enterprises are extended to stay effective until the end of 2023.

Tax Revenue

- ◊ **Tax Revenue in 2019**
- ◊ **Tax Revenue Growth (1993–2019)**
- ◊ **Tax Revenue by Tax Category in 2019**
- ◊ **The Share of Tax Revenue in GDP**
- ◊ **The Share of Tax Revenue in Fiscal Revenue**

Since the fiscal reform in 1994, tax revenue in China has witnessed sustained growth along with economic development. The aggregate tax revenue in China has risen from 507.1 billion RMB in 1994 to 17211.4 billion RMB in 2019, while the share of tax revenue in the GDP has grown to 17.4 percent in 2019, up from 10.5 percent in 1994, providing a strong finance support for economic and social development.

Unless otherwise stated, tax revenue in this report includes taxes collected by Customs on behalf of tax authorities without deductions for export tax rebates, but excluded Customs Duty and Vessel Tonnage Tax.

Tax Revenue in 2019

In 2019, the aggregate tax revenue in China was 17211.4 billion RMB, of which 15618 billion RMB were collected by tax authorities and 1593.4 billion RMB were collected by customs on behalf of tax authorities, accounting for 90.7 percent and 9.3 percent of the aggregate respectively. (See Figure 5)

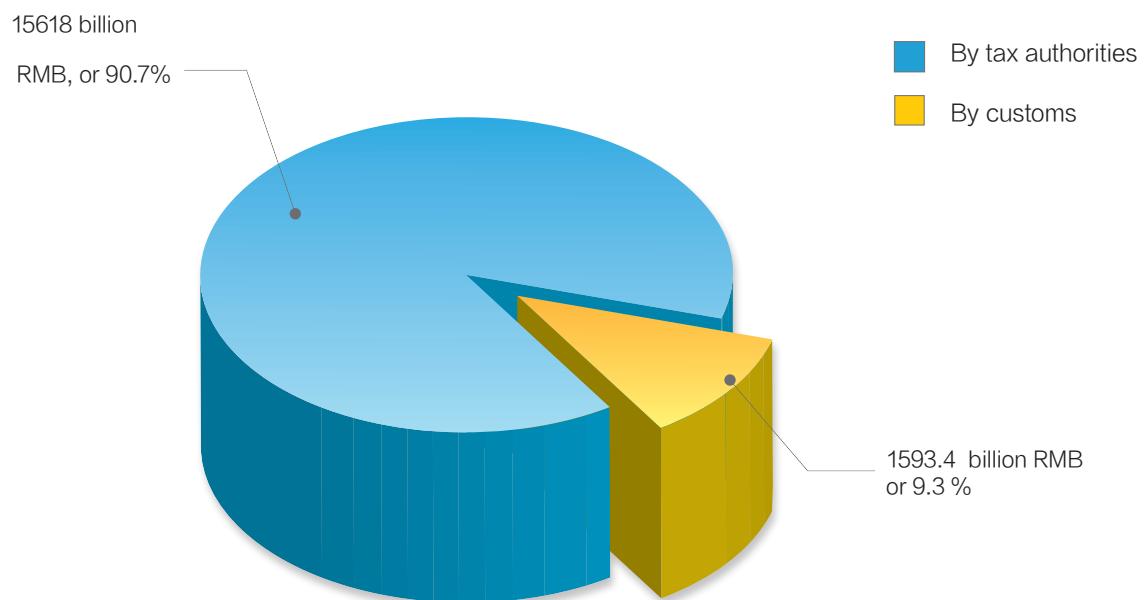


Figure 5 Tax Revenue Collected by Tax Authorities and the Customs (2019)

Tax Revenue Growth (1993–2019)

Calculated on comparable basis, tax revenue in 2019 has increased by 215.5 billion RMB on a year-on-year basis, registering growth of 1.3 percent. (See Figure 6)

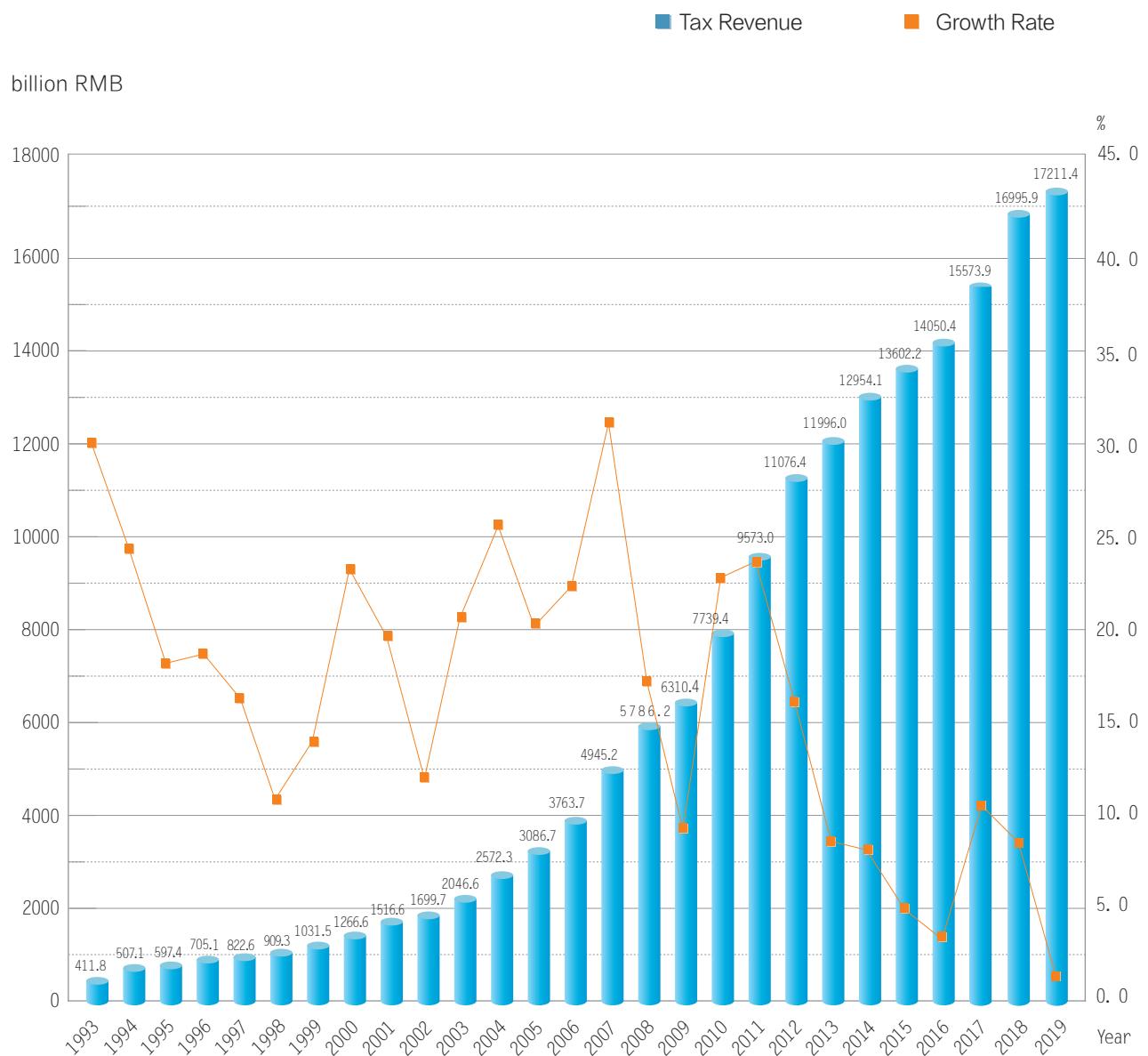


Figure 6 Tax Revenue Growth (1993–2019)

Tax Revenue by Tax Category in 2019

In 2019, tax revenue of Goods and Services Tax (GST), Income Taxes, Property and Behavior Taxes were 9454.9 billion RMB, 4790.4 billion RMB and 2966.1 billion RMB, accounting for 54.9 percent, 27.8 percent and 17.3 percent respectively. (See Figure 7)

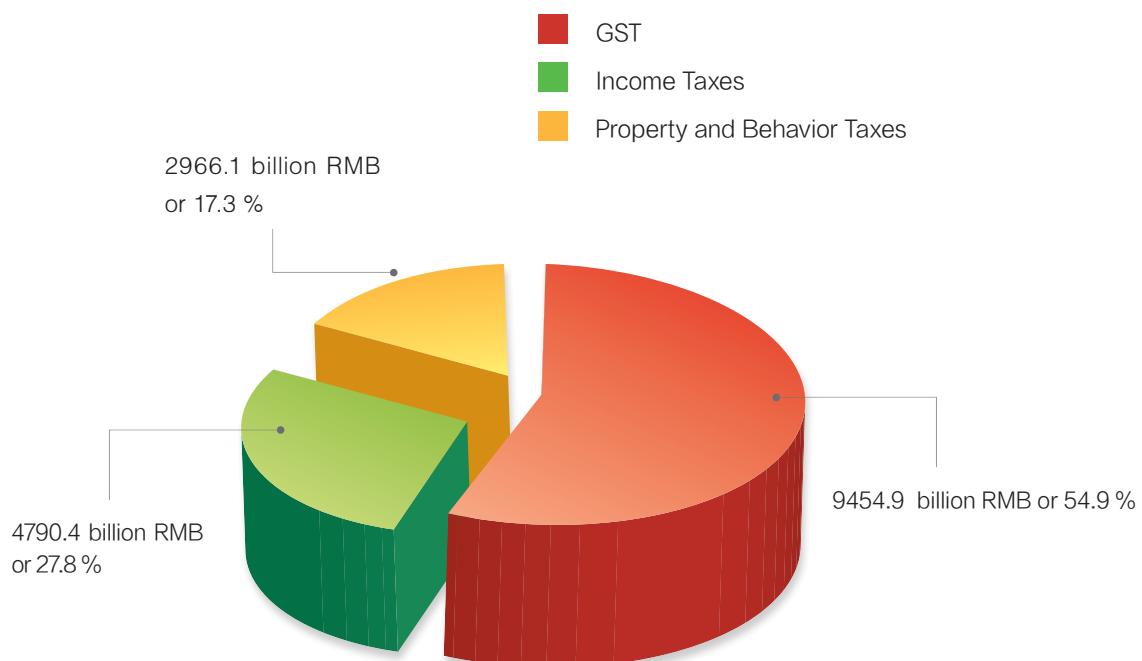


Figure 7 Tax Revenue by Tax Category in 2019

In 2019, the revenues of Value Added Tax (VAT), Enterprise Income Tax, Excise Tax, and Individual Income Tax were 7756.8 billion RMB, 3751.6 billion RMB, 1348.2 billion RMB, 1038.9 billion RMB, accounting for 45.1 percent, 21.8 percent, 7.8 percent, and 6.0 percent of the aggregate tax revenue respectively. (See Figure 8)

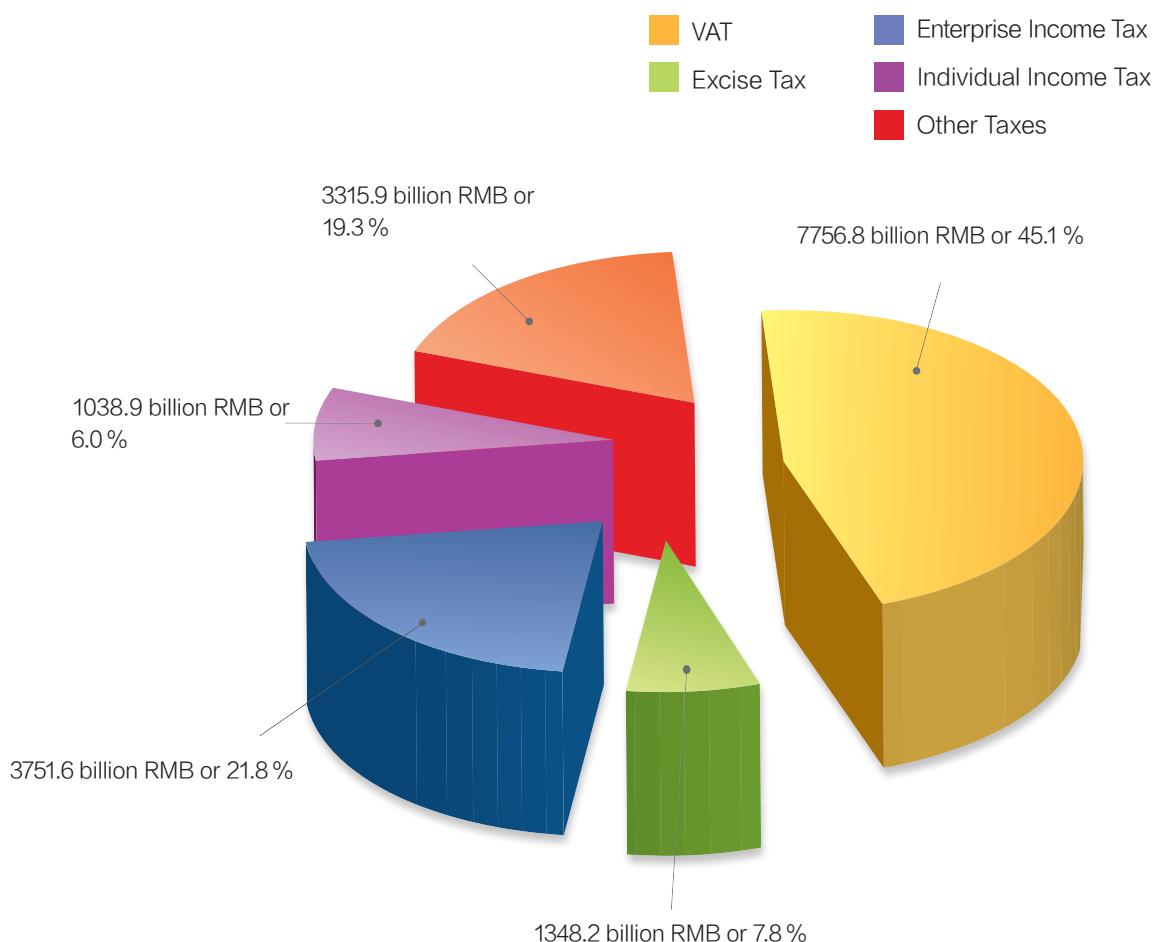


Figure 8 Tax Revenue by Tax Type in 2019

The Share of Tax Revenue in GDP

In 2019, the share of tax revenue in GDP was 17.4 percent.(See Table 3)

Table 3 The Share of Tax Revenue in GDP (1978–2019)

Year	Tax Revenue	GDP	The Tax-to-GDP Ratio(%)
	(Billion)	(Billion)	
1978	46.2	364.5	12.7
1993	411.8	3533.4	11.7
1994	507.1	4819.8	10.5
1995	597.4	6079.4	9.8
1996	705.1	7117.7	9.9
1997	822.6	7897.3	10.4
1998	909.3	8440.2	10.8
1999	1031.5	8967.7	11.5
2000	1266.6	9921.5	12.8
2001	1516.6	10965.5	13.8
2002	1699.7	12033.3	14.1
2003	2046.6	13582.3	15.1
2004	2572.3	15987.8	16.1
2005	3086.7	18493.7	16.7
2006	3763.7	21631.4	17.4
2007	4945.2	26581.0	18.6
2008	5786.2	31404.5	18.4
2009	6310.4	34090.3	18.5
2010	7739.4	40151.3	19.3
2011	9573.0	47310.4	20.2
2012	11076.4	51933.2	21.3
2013	11996.0	56884.5	21.1
2014	12954.1	63646.3	20.4
2015	13602.2	67670.8	20.1
2016	14050.4	74412.7	18.9
2017	15573.9	82712.2	18.8
2018	16995.9	90030.9	18.9
2019	17211.4	99086.5	17.4

Note: Statistical standard was adjusted in 2012 to include Urban and Township Land Use Tax and Deed Tax.

The Share of Tax Revenue in Fiscal Revenue

In 2019, the share of tax revenue (without deductions for export tax refunds) in fiscal revenue was 90.4 percent. (See Table 4)

Table 4 Share of Tax Revenue in Fiscal Revenue (1978–2019)

Year	Fiscal Revenue	Tax Revenue (without deductions for export tax refunds)		Tax Revenue (with deductions for export tax refunds)		Tax Revenue (with deductions for export tax refunds and taxes collected by Customs)	
		Billion	Billion	Share (%)	Billion	Share (%)	Billion
1978	113.2	46.2	40.8	46.2	40.8	—	—
1993	434.9	411.8	94.7	381.8	87.8	—	—
1994	521.8	507.1	97.2	462.1	88.6	428.4	82.1
1995	624.2	597.4	95.7	542.5	86.9	502.8	80.6
1996	740.8	705.1	95.2	622.3	84.0	572.2	77.2
1997	865.1	822.6	95.1	779.3	90.1	721.6	83.4
1998	987.6	909.3	92.1	865.7	87.7	807.4	81.8
1999	1144.4	1031.5	90.1	968.8	84.7	864.7	75.6
2000	1339.5	1266.6	94.6	1185.6	88.5	1036.1	77.3
2001	1638.6	1516.6	92.6	1409.4	86.0	1244.1	75.9
2002	1890.4	1699.7	89.9	1573.7	83.3	1384.6	73.2
2003	2171.5	2046.6	94.2	1842.7	84.9	1563.4	72.0
2004	2639.6	2572.3	97.5	2152.4	81.5	1781.3	67.5
2005	3164.9	3086.7	97.5	2749.2	86.9	2327.2	73.5
2006	3876.0	3763.7	97.1	3335.2	86.0	2838.5	73.2
2007	5132.2	4945.2	96.4	4417.9	86.1	3802.3	74.1
2008	6133.0	5786.2	94.3	5199.6	84.8	4459.1	72.7
2009	6851.8	6310.4	92.1	5661.7	82.6	4886.9	71.3
2010	8310.2	7739.4	93.1	7006.7	84.3	5953.4	71.6
2011	10387.4	9573.0	92.2	8652.5	83.3	7291.8	70.2
2012	11721.0	11076.4	94.5	10034.7	85.6	8547.2	72.9
2013	12914.3	11996.0	92.9	10944.1	84.7	9539.8	73.9
2014	14035.0	12954.1	92.3	11821.1	84.2	10376.8	73.9
2015	15221.7	13602.2	89.4	12322.0	81.0	11060.4	72.7
2016	15955.2	14050.4	88.1	12876.1	80.7	11588.0	72.6
2017	17256.7	15573.9	90.2	14204.9	82.3	12601.3	73.0
2018	18335.2	16995.9	92.7	15494.5	84.5	13796.8	75.2
2019	19038.2	17211.4	90.4	15637.3	82.1	14043.9	73.8

Taxpayer Service

- ◊ **Launching the Spring Breeze Project**
- ◊ **Establishing the Tax Credit Rating System**
- ◊ **Increasing Tax Transparency**
- ◊ **Upgrading Taxpayer Services**
- ◊ **Protecting Taxpayers' Rights**
- ◊ **Making the Service Band-12366 Taxpayer Service Platform**
- ◊ **Improving the Supervision and Regulation System for Professional Tax Services**

In 2013, the STA called on tax administrations to integrate taxpayer service into the whole process of tax collection and administration by treating taxpayers with trust and respect, together with making an effort to embrace and serve taxpayers.

In 2015, the *National Taxpayer Service Standard (Version 2.0)* was promulgated by the STA to standardize taxpayer service throughout China. In 2019, in order to adapt itself to the new structures, responsibilities and changes after the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations and respond to the new anticipations from taxpayers and fee-payers, a comprehensive revision of the previous taxpayer service standards was made and a new version of *National Taxpayer Service Standard (Version 3.0)* was promulgated by the STA.

From 2014 to 2019, the Spring Breeze Project was launched and implemented within the STA system to streamline tax collection and administration processes in pursuit of reducing compliance burden for taxpayers.

Launching the Spring Breeze Project

In 2014, the STA rolled out the Spring Breeze Project to facilitate taxpayers. Ushering in its sixth year, a total of 123 items spanning 35 categories of service measures have been made available to taxpayers for their convenience, continuously improving the overall tax environment and taxpayer satisfaction.

In 2019, the STA continued to forge ahead with the Spring Breeze Project with the theme of "New Taxation, New Service" by putting forward thirteen new items in four categories of service measures (See Table 5) to further improve tax environment and taxpayer satisfaction, sparing no efforts in branding itself as a quality service provider.

Table 5 New Measures of the Spring Breeze Project (2019)

Theme	Measure
Vigorously implementing tax cuts and fees reduction policies so as to bring about new achievements of benefiting taxpayers	<ol style="list-style-type: none"> 1. Thoroughly implementing tax cuts and fees reduction measures 2. Practically streamlining tax-related paperwork reporting 3. Effectively optimizing invoice procedures 4. Tangibly responding to the demands of taxpayers
Fully speeding up tax procedures and improving service quality so as to offer fast and convenient services to taxpayers	<ol style="list-style-type: none"> 5. Speeding up and optimizing tax procedures 6. Speeding up tax filing and reporting 7. Speeding up tax and fees payment 8. Speeding up the processing of tax refund

(continued)

Theme	Measure
Focusing on the integration and upgrade of tax service channels so as to building up a stable and effective platform	9. Improving online services 10. Improving offline services
Enhancing coordination and collaboration so as to open up new prospects of collaboration	11. Exerting the value-adding effect of tax credit rating 12. Exerting the effect of coordination among administration departments 13. Taking advantage of tax-related professional services

Establishing the Tax Credit Rating System

The STA has established a modern tax credit rating system by promulgating the *Administrative Measures on Tax Credit Rating (Provisional)* and the *Tax Credit Rating Indices and Methods (Provisional)*. In 2019, 25.69 million qualified taxpayers were assessed on their tax compliance for the year of 2018, among which 1.256 million were rated A-level and 1.802 million D-level, accounting for 4.89% and 7.01% of the total respectively.

Emphasis has been placed on the application of tax credit rating results. By entitling A-level taxpayers to more favorable treatments and subjecting D-level taxpayers to stricter scrutiny in a wide range of tax-related matters such as application for invoice issuance and VAT refunds on exported goods, the STA has effectively lowered compliance costs and improved overall compliance. Since 2015, the STA has sought cooperation with the China Banking and Insurance Regulatory Commission (CBIRC) in "Bank-Tax Cooperation" and since November 2019, its scope of beneficiaries has been expanded from A level and B level enterprises to M level enterprises. It has benefited a number of newly established businesses and helped alleviate financing difficulties for small and micro businesses.

The STA is also an active participant in the construction of social credit system and the exploration of cooperation on credit sharing. The STA has signed a *Cooperation Framework on Credit Sharing and Application* with the State Development and Reform Commission and 53 Memoranda of Joint Actions on Rewarding Honesty and Punishing Dishonesty with related government departments to further develop mechanisms in credit sharing, mutual rating recognition and cooperation in reward and punishment with respect to credit rating results.

Increasing Tax Transparency

Established an information disclosure system to timely, extensively and accurately notify the public via online and offline channels of tax laws and policies, responsibilities of tax authorities, procedures and results of tax-related matters, means of public supervision, etc.;

Implemented a unified notice system to provide easy access for taxpayers to the most up-to-date tax legislation and policy explanation;

Diversified communication channels with taxpayers to publicize tax laws by combining such traditional media as TV, newspaper, hotline and Short Messaging Service (SMS) together with new media including micro-blog, WeChat, Apps etc.;

Promoted the Taxpayer Distant Learning Initiative by offering policy training in forms of online classes, videos, webcast, etc. via the Internet and mobile apps to establish a multi-facet training system to educate taxpayers.

Upgrading Taxpayer Services

○ Optimizing Service Standard

In 2019, in order to implement the strategic plans issued by the Central Committee of the Communist Party of China and the State Council, the STA, adhering the aim to establish a voluntarily compliant, high-qualified and convenient taxpayer service system, organized a group of tax officials to amend the previous taxpayer service standards and promulgated the *National Taxpayer Service Standard (Version 3.0)*, through which taxpayers' burden is further relieved, time for tax matters is reduced and channels for tax matters are expanded, giving taxpayers a better experience and a sense of gain.

○ Improving Service System

The STA has further enhanced its overall service system by making further improvements in first-contact person accountability, processing time limits, service reservation, off-time service, one-off notice, and 24-hour self-service. It has also innovated its communication mechanism to safeguard the stable operation of tax service halls and explored a Warning and Correcting Mechanism for tax filing and reporting based on taxpayers' vulnerable reporting.

○ Streamlining Tax-related Matters Processing

The STA has simplified processes in tax-related matters to save taxpayers repeated visits to different offices; further simplified the paperwork for tax-related matters to relieve compliance burdens; benchmarked against tax indicators in *Doing Business* publicized by the World Bank and reduced frequency and time for tax payments; consistently upgraded the *List of Tax-related Matters that Could be Completed by Taxpayers Within No More than One Show in Person at the Tax Service Hall*, and more than 70% of tax matters have met the requirement of the list in advance; implemented one-stop service on municipal, provincial and national levels to allow taxpayers to complete tax-related matters at the venue of their own choice conveniently.

○ Innovating Service Methods

Following the principle of unified norms, convenience in use, efficient management and safe operation, the STA has promulgated *Self-Service Terminals Regulatory Measures* and *Self-service Terminals Business Norms (Version 1.0)*, actively enriched the functions of self-service terminals and regulated their administration. The STA has encouraged taxpayers to self-process tax matters at their nearest terminals so that tax matters applied by taxpayers could be processed outside tax service hall, promoting the transformation and upgrading of taxpayer services.

Protecting Taxpayers' Rights

Starting from 2013, the STA has stepped up efforts in protecting taxpayers' rights by clarifying detailed requirements on such aspects as rule-based administration, dispute resolution and establishment of taxpayers' rights protection departments. In 2015, the STA revised the *Guidelines for Taxpayer Services Complaints* to improve related work mechanism. In 2016, the STA took extra steps to establish a complaint handling mechanism by integrating existing complaint channels and improving the complaint response mechanism. In 2019, in combination with the theme education of *Remaining True to our Original Aspiration and Keep our Mission Firmly in Mind*, the STA further revised the *Guidelines for Taxpayers Services Complaints* which expanded the range of complaints, compressed the time limit of complaint processing and built up a fast processing mechanism so as to better protect the legal rights of taxpayers and fee-payers.

After an upgrade in its work mechanism on collecting and responding to taxpayer requests and improving taxpayer service in 2016, the STA has conducted nationwide surveys on tax and fee cuts with 1140000 taxpayers involved in 2019. By shedding light on the needs from both taxpayers and tax officials engaging in taxpayer service, the surveys have provided guidance to further improve taxpayer service, satisfaction and compliance.

Strengthened international exchanges in the area of taxpayer protection were also seen in recent years. Since 2017, the STA has worked with the International Bureau of Fiscal Documentation (IBFD) for two consecutive years on profiling the status quo of taxpayer protection in China. In 2019, the STA attended the Fourth International Taxpayers' Rights Conference held by IBFD, laying the foundation for future assessment in this area by international organizations.

Making the Service Band-12366 Taxpayer Service Platform

Guided by the needs of taxpayers and based on the 12366 hotline, the STA has, with an Internet Plus mindset, integrated service resources, expanded service functions and improved service channels by leveraging such information technologies as AI, big data and mobile internet, which has improved the 12366 taxpayer service platform into an integrated, versatile, intelligent and personalized taxpayer service system. When completed in December 2018, the platform can provide taxpayers services in tax consultation, inquiry, training, returns-filing and rights protection in a customized fashion and via both online and offline channels. Also, the STA has expanded its service coverage by utilizing different websites and platforms to develop 12366 Intelligent Consultation Programs on Wechat, Alipay and Baidu, and provided "All in One Website" taxpayer services through intelligent robot interaction, smart delivery of personalized content and alive education broadcasted online. Since May 2019, the app and the software of 12366 tax service platform has been promoted around the country, giving taxpayers a new experience of tailored services at their fingerprints.(See Figure 9)

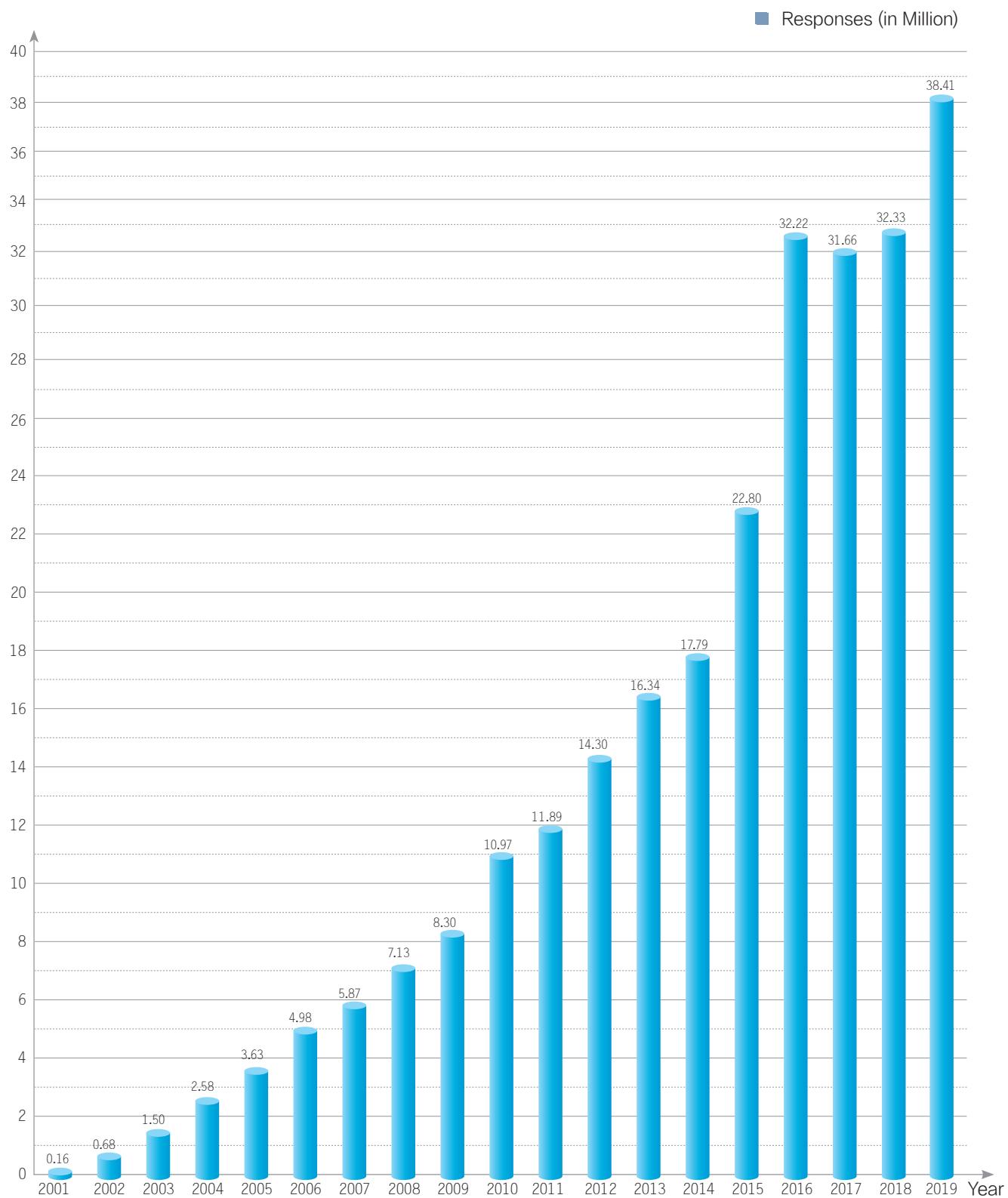


Figure 9 Answered Telephone Inquiries by 12366 Service Center (2001–2019)

Improving the Supervision and Regulation System for Professional Tax Services

In May 2017, the issuance of the *Measures on Regulating Professional Tax Services (Provisional)* marked a significant innovation and breakthrough in the regulation of professional tax services by the STA. The professional tax service industry was thus subject to market competition with the STA taking effective measures to streamline administration, delegate powers to lower level tax authorities and abolish unnecessary approvals. In the meantime, the STA has also innovated regulation through interim and post-event supervision, and highlighted quality service to better serve taxpayers and tax service professionals. In 2018 and 2017, the *Administrative Measures on Credit Rating of Professional Tax Services (Provisional)* and the *Guidelines on Credit Scoring Indices and Credit Rating for Tax Service Professionals* were issued to further improve the credit system of the professional tax service industry. In 2019, the STA issued the *Notice on Related Issues Concerning the Improvement of Professional Tax Service Regulatory System* which further streamlined, revised and improved such mechanism as professional tax service data collection, credit re-rating and inquiry.

Tax Collection and Administration

- ◊ **Compliance Risk Management**
- ◊ **Large Business Taxation Administration**
- ◊ **International Taxation Administration**
- ◊ **Tax Auditing**
- ◊ **Export Refund Management**

Afiscal reform, setting up the dual tax administration at sub-central levels in 1994, ignited a series of tremendous changes to tax collection and administration system. In particular, a taxpayer-oriented tax collection and administration model proposed in 1997 was intended to leverage computer networks, administrative centralization and targeted auditing. Gradually, a new balance was struck between collection, administration and auditing. Since the start of the 21st century, the STA has further deepened the reform of tax collection and administration. Compliance risk management and taxpayer segmentation have been implemented, which greatly enhanced the quality and efficiency of tax administration.

In 2015, the *National Tax Administration Standards (Version 1.0)* was put to trial use across the country, establishing standards of internal operations, processes, time limits and documentations related to tax filing and payment affairs, thus generally standardizing the tax collection and administration system. In 2016, the *National Tax Administration Standards (Version 1.0)* was upgraded and improved and 610 standards for eleven categories of tax affairs was specified. The upgraded version of the *National Tax Administration Standards (Trial Version 2.0)* was piloted in several provinces. The *Taxpayer-Segmented Administration Measures* were developed and implemented, under which risk management approaches were adopted to segment the taxpayers and allocate tax affairs responsibilities to different levels of tax offices taking into account their comparative advantages. Differentiated and escalated approaches are adopted to manage the tax affairs according to the tax rating and the category of taxpayers, thus improving the overall efficacy of tax administration.

In 2017, the STA accelerated the transformation of tax collection and administration model, and proposed that efforts should be made to build an intensive and efficient model to enable "four shifts", i.e. from pre-event approval to interim and post-event supervision; from fixed manager regime to classification-based management; from one-size-fits-all management to risk management; and from experience-based management to big data-based management.

In 2018, a national Risk Management Platform was implemented to strengthen compliance risk management.

In 2019, the STA set up the Big Data and Tax Risk Management Administration to organize and guide big data and tax risk management activities across the country, establishing a professional organizational structure in the area. The *Operational Specification for Tax Collection and Administration* was formulated and officially took effect on November 1 to promote a nationwide unification, normalization and standardization of tax and fee collection and administration, providing an effective support for key tasks such as tax cuts and fee reduction, reform on individual income tax, the transfer of social insurance fees and non-tax revenue, etc.

Compliance Risk Management

A variety of information types obtained from many sources and through different channels helps the Chinese tax administration to keep taxpayers on their radar. The risk management approaches adopted by the Chinese tax administration include risk analysis and identification, work distribution, risk treatment, process monitoring, evaluation and feedback, constituting a turbo charger. (See Figure 10)



Figure 10 Risk Management Process

Tax returns filed by taxpayers are used to identify and analyze the compliance risks regularly by the Chinese tax administration with an integration of tax-related information in and out of the tax administration system. This was installed with analysis tools including built-in indicators of risk analysis, risk feature database and industrial analyzing models. Taxpayers from whom tax revenues are potentially drained away are classified based on their risk ratings. For low-risk taxpayers, the tax authority will send risk alerts, asking them to prevent risks or revise their returns. For high and medium-risk taxpayers, tax administrations will take measures to control risks, including compliance assessment, tax audit, anti-avoidance audit, and tax auditing. Meanwhile, tax administrations will correspondingly improve risk indicators and models on an on-going basis after evaluating risk management processes.

In 2018, based on the Risk Management Platform, the STA performed specialized risk analysis on key industries and improved the accuracy of risk analysis. The STA also deepened and broadened the cross-region risk management coordination and cooperation. Lists of irregular households, D-level companies, and tax-owing taxpayers are shared across regions. Collaborations are made on risk alerts, information exchange, and risk investigation. The picture of nationwide vertical and horizontal collaboration in risk management emerged, which effectively improved the tax compliance of taxpayers.

In 2019, the STA set up the Big Data and Tax Risk Management Administration to organize and guide big data and tax risk management activities across the country, establishing a professional organizational structure in the area.

○ Improving Risk Management Mechanism

Tax risk administrations at all levels across the country have taken full advantage of their professionalized organizations to carry out cross-regional risk treatment cooperation and advance national exchanges of tax risk information. Supported by information technology such as the cross regional risk management system, autonomous monitoring and warning of abnormal taxpayers have been realized, which has improved the tax risk management across the country.

○ Strengthening the Planning of Risk-Response Tasks

According to the requirement for overall planning in activities, methods and working levels, the STA has utilized the function of identifying similar tasks in the risk management system to strengthen the overall planning of risk tasks and centralize the risk management, which has effectively boosted the efficiency of risk management work.

○ Strengthening Indicator Model Development

Giving full play to its advantage in data integration and processing, the STA has built up, enriched and improved its tax risk indicator models and strengthened indicator model development, risk analysis, prevention and control in high tax risk areas based on cross-sector and cross-regional data sourced from internal and external departments as well as the computing power and models of its cloud platform.

Large Business Taxation Administration

In 2019, after setting up physical entities of large business tax service and administration organizations at provincial and municipal levels around the country, the STA continued to improve the quality of large business tax service, risk management and economic analysis. It focused on the development of work mechanism, information technology and institutional regulation, fully advancing the modernization of large business tax service and administration.

○ Strengthening Data Management and IT Support

The STA improved its large business tax service and administration platform by facilitating effective interaction between the large business platform at STA level and at provincial levels. It laid a solid foundation of data by updating the information of National Thousand Enterprise Group, improving the methods of collecting digital financial data and streamlining the scope of collection. In addition, it accelerated the development of National Thousand Enterprise Group Indicator System 3.0 and built up a framework of indicator system 4.0, aiming at speeding up the construction of large business tax management supported by information technologies.

○ Improving the Quality of Risk Analysis and Response

The STA continuously improved the mechanism of risk analysis by carrying out data analysis of all taxes of all members of National Thousand Enterprise Groups. It focused on the analysis and treatment of major issues and consistently increase the accuracy of risk analysis and treatment in purpose of preventing from systematic tax risks.

○ Upgrading Large Business Taxpayer Services

The STA made efforts to ensure tax cuts and fee reduction policies well implemented by National Thousand Enterprise Groups. More than 260 new and renewed Tax Compliance Cooperation Agreements were signed by large business group. More than 3000 tax-related problems of National Thousand Enterprise Groups were fast responded and more than 20 major cross-regional tax-related issues were addressed, which has greatly enhancing the tax environment and the satisfaction of taxpayers.

○ Continuously Making the Brand of Economic Analysis

Focusing on key issues and hot spots in economic and taxation areas, the STA strengthened the communication and cooperation between the tax administration and other sectors to expand the channels of data and intensify comparison analysis of issues in different countries, regional economic developments as well as economic operation.

International Taxation Administration

In the context of economic globalization, the tax authority of China has been taking an active part in global tax governance and continuously enhancing international tax administration so as to meet the needs of the opening up of the economy.

○ Upgrading the Governance Capacity of Anti-tax Avoidance

In 2019, the STA focused its efforts to push forward the transformation and upgrading of administrative system of anti-tax avoidance and, while sticking to the mainline of monitoring cross-border profits level, conducted risk identification and classified response by using big data oriented by risk monitoring to improve the tax compliance of enterprises. In addition to build a more comprehensive anti-tax avoidance system which integrates administration, service and investigation, it established an anti-tax avoidance system featured by leadership of the STA, modeling effect of professional teams and national coverage after the setting up of 3 Specialized Anti-avoidance Bureaus located in Beijing, Jiangsu Province and Shenzhen to firmly safeguard the transformation and upgrading of the system and promote the capacity for governance on anti-tax avoidance.

○ Promoting Bilateral Advance Pricing Arrangements (APA) and MAP

In order to avoid and eliminate international double taxation, the STA has been actively engaged in APAs and transfer pricing MAP cases. In 2019, it signed 10 bilateral APAs and made 3 transfer pricing corresponding adjustments, resulting in an amount of 3.1 billion RMB relief from international double taxation for multinational enterprises.

○ Optimizing Tax Policies and Administrative Measures for Non-Residents Taxpayers

The STA rolled out growth-friendly tax policies in order to facilitate the free flow of cross-border capital and factors of production. In 2019, it continued to implement favorable tax policies to support the development of real economy and capital market including temporary exemption of withholding tax on overseas investors' profits that are directly invested in China and temporary exemption of the Enterprise Income Tax and VAT on interests derived by overseas institution from bond markets in China. By deepening the reform of "delegating power, streamlining administration, and optimizing government services", the STA abolished the approval procedure for consolidated tax payment of the establishments and places of non-resident enterprises and allowed certain non-resident enterprises to offset profits and losses among establishments and places. The STA improved the sharing mechanism of cross-border tax information and realized the electronic filing for cross-border payments in order to promote the trade and development of cross-border service. The STA has continued to strengthen the risk management of non-residents with particular types of income and improve the tax service and administration system for cross-border transactions.

○ Improving Tax Service and Administration for Outbound Investment

In 2019, as part of its efforts to upgrade tax administration and services for outbound investment, the STA refined its measures to facilitate the BRI from the tax perspective. The STA successfully held the First Conference of the Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) in Wuzhen, Zhejiang Province and officially launched the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) with the aim to build a growth-friendly tax environment. It established the Belt and Road Initiative Tax Capacity Enhancement Group (BRITACEG) as a training platform in order to help developing countries in building tax administration capacity and elevate the influence of it. It further engaged in MAP cases between competent authorities to help businesses with overseas operations reduce tax burden and settle tax disputes. With focused efforts and resources, it published and updated 78 tax guides for investment in countries and jurisdictions, serving as the core of its consultancy service on tax policies. As one of its targeted measures to facilitate enterprises with overseas operations, it updated and issued *Tax Guides for Corporations with Overseas Operations* (the revised 2019 version) by collecting tax policies for corporations with overseas operations and 110 tax treaties (arrangements and agreements). The STA also established a tax administration system for outbound investment on the basis of risk management so as to improve their compliance.

○ Advancing Tax Treaty Implementation

It further broadened the network of Double Taxation Agreements (DTAs), accelerated its pace of the conclusion and revision of DTAs to improve the international tax legal safeguard for outbound investment. In October 2019, the STA successively introduced the *Administrative Measures for Non-resident Taxpayers Claiming the Benefits of Double Taxation Agreements* which allows non-resident taxpayers to enjoy treaty benefits through collecting and retaining relevant supporting documents for post-filing inspection, significantly simplifies the documents that taxpayers shall fill in and clearly clarifies the responsibilities between non-resident taxpayers and withholding agents so as to bring convenience for non-resident taxpayers to enjoy the benefits of the DTAs.

Tax Auditing

In 2019, the tax auditing bureaus at all levels made all-out efforts in investigating and penalizing violations of tax laws and regulations, continued to deepen reforms of tax auditing and improve their work efficiency and efficacy.

○ Improving Tax Auditing System and Mechanism

The STA further deepened and improved the tax auditing reform. It promulgated 12 documents, including the *Notice on Regulating the Operation of Audit Institutions* and the *Suggestions on Further Improving the Tax Auditing Work*, and formulated regulations and measures for tax auditing, collaborative investigation of invoice, crack-down on tax frauds, fund management, major cases management, fund investigation and control, report management, dual investigation of cases, and "blacklist" objection handling, etc. to consolidate and improve the results of the tax auditing reform and promote the effective and orderly implementation of audit work.

○ Enforcing Two-Year Special Program of Combating False Issuance of Invoices and Export Tax Refund Frauds

Cooperating with the Ministry of Public Security, the General Administration of Customs, and the People's Bank of China, the STA launched the two-year special action of fighting VAT refund frauds through false issuance of invoices, aiming to severely attack false invoice issuance of the "fake entities" without business substance and "fake export" without actual export transactions. In 2019, the STA continued to coordinate

tax auditing force at all levels across the country, maintained a high-handed posture in fighting VAT refund frauds through false issuance, and investigated and penalized a number of major cases, which has effectively standardizing the economic order and improving the tax business environment.

○ Supervision Random Selection and Results Publication

In 2019, the STA put equal emphasis on supervision strengthening and law enforcement optimization, and continued to improve supervision through "Two Randoms" selection and timely publicity (the random selection of both inspectors and inspection targets, and the prompt release of results to the public). The STA focused on key industries and key tax sources and increased the number of "Two Randoms" selection tasks. For new format enterprises, inclusive and prudent supervision was carried out and no audit was implemented when there was no risk. The STA also promoted a combination of "Two Randoms" selection supervision and risk analysis, which "kept the sword sharp" for law breaker and did nothing to those who obey the law. The Tax Auditing "Two Randoms" Platform was continuously optimized, realizing the overall planning of random inspection tasks and the tracking and monitoring of the whole process. With the cooperation of multiple departments, the *List of Items Jointly Spot Checked by Departments in the Field of Market Supervision* was formulated, which incorporated the "Two Randoms" selection and timely publicity of the tax authority into the joint market supervision.

○ Promoting IT-based Auditing

The STA set up a framework of the IT-Based Tax Auditing Command Management System, built a new Auditing Management Platform and an Auditing Video System, and upgraded big data application methods. It comprehensively promoted the standardization of four main audit enforcement sites, including the auditing

inquiry room, the case files investigation room, the report reception room, and the command and consultation room.

○ In-Depth Implementation of "Blacklist" and Joint Punishment System

Since the first blacklisted cases were disclosed in October 2014, a total of 40,799 blacklisted cases have been published and 547.4 thousand entities were referred to relevant government agencies by tax authorities at all levels for joint punishment. The joint punishment system has played its part in financing credit rating, government purchase, land supply, bond issuance and so on. During 2019, tax authorities of all levels published 24,157 blacklisted cases and referred 271.8 thousand entities to relevant authorities for joint punishment. Of all the blacklisted businesses published across the country, 1719 have voluntarily paid taxes, interests and penalties.

Export Refund Management

In 2019, the STA continuously accelerated export refund processing and steadily expanded the scope of paperless tax refund declarations. It improved the convenience of departure tax refunds, promoted the function of applying export tax refund in a "single service window", continuously strengthened the sharing of tax refund information and enhanced the coordination between tax collection and tax refund. These measures ensured a timely and accurate export refund for enterprises and relieve their cash flow burden, supporting a sustained, stable and healthy development of foreign trade. Tax authorities across the country have processed a total of 1574.02 billion RMB in export refunded (exempted) taxes with a year-on-year increase of 4.8%.

○ Accelerating Export Refund Processing

In order to implement the State Council's decision on accelerating export refund processing, the STA introduced paperless refund filing in all regions and all rating Class A and Class B enterprises. It also accelerated the export refund processing, and the average time for tax authorities across the country to process the regular tax refunds has been kept within 10 working days.

○ Expanding the Scope of Paperless Refund Filings

The expansion of the scope of paperless refund filing was listed as one of the new measures to offer convenient tax services to taxpayers. Paperless filing was encouraged to be used not only by rating Class A and Class B enterprises, but also in rating Class C enterprises on a voluntary basis, so as to continuously improve the convenience of tax refunds.

○ Supporting the Development of New Trade Models

In order to further support and serve the development of the private economy, the STA guided tax authorities in the pilot areas for comprehensive management of market procurement and trade to cooperate with commerce, customs and other departments to develop an integrated market procurement and trade management system and a tax exemption management system. In 2019, relevant market tax exemption management systems were inspected and accepted in accordance with the provisions of the *Administrative Measures for Export Exemption of Market Procurement (Provisional)*.

○ Improving Convenience Level of Departure Tax Refunding

The STA actively innovated tax refund services. From January 30, 2019, an instant departure tax refund service was introduced in Shanghai on a trial basis, which has greatly accelerated export refund processing and promoted the shopping and consumption of overseas tourists in China. From September 21, 2019, tax refund through WeChat and Alipay was piloted in Beijing to provide more choices for foreign tourists.

○ Cooperating in Promoting the Function of Export Refund Filing via "Single Window"

In order to further improve trade facilitation, the STA actively cooperated with the National Office of Port Administration to jointly develop and construct a standardized "single service window" export refund filing function, providing export enterprises with new refund filing channel. The function was piloted in Beijing and Zhejiang in September, 2019 and gradually launched in other regions.

○ Enhancing the Coordination between Collection and Refunding for Export Enterprises

Information of the tax collection and refund of export enterprises was better shared, realizing big-data-based risk analysis of export businesses from export refund and exemption recording, taxpayer registry, to tax refund (exemption) filing, tax filing, export refund (exemption) approval and VAT collection, as well as collaborated prevention and crack-down on the export tax refund fraud with auditing departments, which helped coordinate works and prevent tax risks.

Development of IT-Based Taxation

- ◊ **Integration of Golden Tax Project Phase Three**
- ◊ **Upgrading of VAT Invoice Management System**
- ◊ **Big Data Management and Application**

The IT development of taxation started from scratch in the 1980s. Rapid development ever since has helped the STA build a set of existing integrated and web-based information systems. The current information systems in operation mainly consist of the VAT Administration Information System and the Golden Tax Project Phase Three. The big date management and IT-based Individual Income Taxation have achieved new progress.

Integration of Golden Tax Project Phase Three

As part of China's e-government project, Golden Tax Project Phase Three is designed to create an information system that links with other relevant agencies and covers all tax categories and overall procedures. The information system consists of four sub-systems, namely collection, administration, third-party information and decision-making support. There are two national tax data processing centers located in Beijing and Guangdong, which can deal with more than ten billion transactions annually and provide 24/7 diversified services for 60 million corporate taxpayers and 300 million individual taxpayers.

In 2015, the STA started to promote the system across China. By October 2016, the main application systems were put into use nationwide, marking a new step forward of IT development in taxation.

Since 2018, in order to meet the needs of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations, the STA has comprehensively promoted integration of information, and improved and upgraded the Golden Tax Project Phase Three. It integrated the originally Golden Tax Project Phase Three databases of state tax authorities and local tax authorities, taxpayers' information, tax collection and administration methods, realizing a comprehensive integration in five aspects, including tax businesses, systems, norms, data and collection and administration forces. In this way, the goal of improved system, integrated business and integrated data was achieved. Time for processing tax matters in tax service halls was reduced by an average of 40%. Accounting and statistics system was improved by more than 10 times. Special software developed by tax authorities at provincial levels or below was cleaned up at a rate of 60.2%. The steadily operation of Golden Tax Project Phase Three has provided an important guarantee for tax authorities in improving tax service and decision making.

Upgrading of VAT Invoice Management System

In 2015, the STA promoted an updated VAT invoice system across China which integrated and upgraded several systems including the VAT anti-counterfeiting system, the cargo transportation VAT invoices control system, the cross-checking system and the e-certificate system. The new system has the following features.

Collecting a complete set of data. The new system collects all the numerical and textual information on the invoice, including name of the taxpayer, name of the goods, unit price, quantity, tax amount, tax rate, etc.

Transferring information in real time. The new system shifts from the offline invoicing and regular reporting to online, real-time uploading invoice information to tax authorities.

Storing information in the electronic account. The new system gives a digital certificate signature to each invoice issued by the taxpayers, forming an electronic account database by supervising the entire process and sending the information to tax authorities.

Since 2016, the STA has introduced a new system within the scope of the Business Tax to VAT reform pilot program, and has continuously expanded the coverage and improved the quality and efficiency of the system. It introduced a national VAT invoice verification platform to check the authenticity of invoice information and promoted the development of social credit system. It steadily promoted electronic invoices by expanding electronic invoices to more taxpayers by initiating electronic ordinary invoices for tollways nationwide, after promoting electronic invoices for heavy issuers in e-commerce, telecommunications, finance, express delivery, public service, etc. The time to process invoices application has been shortened by integrating procedures,

speeding up approval and encouraging online application, which is significant for newly founded enterprises. The STA continued to advance the "Two Expansion Programs", i.e. expanding invoices authentication exemption to include Tax Credit M taxpayers and expanding VAT special invoices issuance to include small-scale taxpayers in industries such as manufacturing, mining, public utilities, information transmission, software and IT services.

In 2019, the STA further improved the quality and efficiency of VAT invoice management, and innovated services of VAT invoices. Since August 2019, the VAT Invoice Management System 2.0 has been promoted step by step across the country and it was completely rolled out in the country in November, 2019. Based on data integration, driven by technological innovation, and led by the objectives of tax management and control, the Invoice Management System 2.0 built up a closed-loop to record invoice purchasing, monitor delivery, block down invoice activities when necessary and provide management feedback. In this way, invoice data collections were upgraded from "one-dimensional" to "multiple-dimensional". By the end of 2019, the number of the VAT Invoice Management System users across the country has reached more than 25 million, increasing by more than 4 million compared with the beginning of the year.

In accordance with the State Council's deployment to establish a Public Service Platform for Electronic Invoices by the end of 2019, the STA has promoted the platform nationwide in 6 steps, based on the upgrading VAT Invoice Management System. Basic public services, such as issuance, printing and search of electronic invoice as well as tax payment, are available on the Public Service Platform for Electronic Invoices and standards and regulations on the construction of the electronic invoices service system, the format of electronic invoice, hardware equipment and interface norms are also developed.

Big Data Management and Application

○ Strongly Supporting Major reforms

The STA gave full play to its advantage in data integration, through developing personalized business needs and providing efficient data inquiry and feedback, to provide timely, accurate and on-demand data, which provided strong support for the performance operation analysis, tax burden calculation and effect analysis for major tax reforms, such as Deepened VAT Reform, Individual Income Tax Reform, Legislation on Farmland Occupation Tax and Vehicle Purchase Tax, Social Security Fee Reduction, etc.

○ Comprehensively Improving Information Sharing

Relying on the Individual Tax Management System, the STA strengthened the verification of special additional deduction information for individual income tax. 249 million data has been exchanged and verified with relevant ministries and commissions, ensuring the steady advancement of Individual Income Tax Reform.

The STA has established information exchange and sharing mechanisms with the National Development and Reform Commission and other departments, through which 1.822 billion data has been exchanged and shared throughout the year. The STA also actively guided provincial tax authorities to promote information sharing with external departments and comprehensively build up a multi-level, wide-ranging, and cross-regional tax co-governance mechanism.

○ Vigorously Innovating in Data Application

The STA has coordinated data applications between the state and provincial tax authorities and explored the establishment of the Cloud Data Application Platform. It provided open access to "one stop" query of nationwide tax risk information, tax risk inventory and "independent exploration space" query for tax authorities at all levels, and enabled community-level tax authorities with flexible cross-provincial data services. Furthermore, it established an associated data processing mechanism, and improved its iterative model algorithms and association rules by learning advanced big data technologies such as machine algorithm learning on cloud platform, with an aim to improve its management efficiency.

○ Steadily Building Data Infrastructure

The STA has formulated relevant operation and management norms to promote standardization, normalization and systematization for cloud platform and data source management. It continuously optimized its integration link, shortening the time for data integration by 3/4, and lowering the error rate close to 0, so as to ensure an efficient, safe and stable data integration and storage. Besides, it organized and centralized data, and compiled data dictionary to strengthen support for basic work.

Exchanges and Cooperation

- ◊ Multilateral Exchanges and Cooperation
- ◊ Bilateral Exchanges and Cooperation
- ◊ Expanding Tax Treaty Network
- ◊ Expanding Exchange of Information (EOI) Network

Being an active player in the international tax arena, the STA works closely with other tax authorities in improving international tax governance. Together with the international community, it is committed to building an open, vibrant and fair playing field of taxation for balanced and sustainable development of the global economy.

Multilateral Exchanges and Cooperation

In recent years, the STA has actively enhanced its exchanges and cooperation with international organizations such as the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the World Bank Group (WBG) as well as regional taxation organizations such as the Study Group on Asian Tax Administration and Research (SGATAR), the African Tax Administration Forum (ATAF), the Inter-American Center of Tax Administrations (CIAT), the Inter-European Organization of Tax Administration (IOTA). It has been deeply involved in tax agendas under the framework of the G20, including the BEPS project, the CRS project, and providing assistance to developing countries in capacity building. In deepening tax cooperation with BRICS countries, it attended regular meetings and seminars to exchange and communicate on tax-related topics. It took part in key projects initiated by the Forum on Tax Administration (FTA), and co-led with Canada on the capacity building project. Mr. Wang Jun, the STA Commissioner, attended and addressed the 49th SGATAR Annual Meeting held in Yogyakarta, Indonesia in October 2019, pushing forward with the reform of SGATAR and increasing the quality and efficiency of cooperation.

○ Exchanges and Cooperation under the G20 Framework

In 2019, the STA continued to be deeply involved in the *BEPS Action Plan* entrusted to OECD by the G20. It actively participated in many BEPS-related meetings and played an active role in the formulation of a consensus-based solution in response to the challenges arising from the digitalization of economy and contributed China's wisdom.

○ Participation in FTA Activities

Mr. Sun Ruibiao, the Vice Commissioner of STA, led the STA delegation to the FTA Advisory Committee Meeting held by OECD in Paris, France in 2019, conducted in-depth discussions concerning international tax cooperation, tax certainty, evaluation and analysis on the impacts of BEPS and introduced major approaches and achievements of Chinese tax authorities in promoting tax administration efficiency by using big data, which were widely acclaimed by delegates of the meeting.

○ Participation in OECD Activities

The STA started to take part in activities of the Committee on Fiscal Affairs (CFA) from 1996. Such involvement has become more intense since China became a formal CFA observer in 2004. In 2015, the STA and the OECD signed a *Memorandum for Cooperation 2016–2018*. During the First Conference of Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) held in Wuzhen, Zhejiang Province of China in April 2019, the two sides signed the new

round of *Memorandum for Cooperation 2019–2023* which covers various forms of pragmatic cooperation in international tax reform, tax policy and capacity building. Key results of STA's cooperation with OECD are as follows:

- ◆ The STA co-organized a symposium of country-by-country reporting with the OECD. OECD experts and representatives from 21 tax authorities including China, exchanged views on the reporting, exchange and use of CBC reporting. The symposium is a significant action to implement the 13th action plan of the BEPS project, and an important measure to strengthen international cooperation and improve information transparency.
- ◆ Since 2005, the STA has been attending meetings of CFA, its subordinates as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes and served as the vice-chair of Working Party 10 (Exchange of Information and Tax Compliance). In 2019, the STA actively participated in the Global Forum on Transparency and Exchange of Information for Tax Purposes and accepted the second round of peer review on Special Exchange of Information and participated in formulating the review standards of Automatic Exchange of Information. In September 2019, it successfully finished the automatic exchanges of financial account information in tax matters.
- ◆ The STA sent over 100 tax officials to attend Global Relation Programme event held in Multilateral Tax Centers of OECD in Seoul, Ankara, Budapest, Vienna and Mexico. In 2019, 25 officials attended thirteen events in these Multilateral Tax Centers (MTCs).
- ◆ The STA made best use of OECD-STA Multilateral Tax Center to provide training courses for domestic tax officials and those from developing countries in Asia, Africa, Latin America, etc., whose number is increasingly growing. In 2019, the STA organized seven events in this MTC. 575 domestic tax officials, 429 from the Chinese Mainland and 12 from Hong Kong and Macao, participated in these events.

○ Cooperation with IMF

In May, 2019, the STA signed a *Three-year Technical Cooperation Agreement (2019–2021)* with the IMF, starting a new round of three-year cooperation. Under the agreement, the STA received four delegations of IMF experts in 2019, which respectively focused on transfer pricing management of financial transactions, taxation of the financial sector, collection and management of the social insurance fees and performance management.

○ Pushing Forward the SGATAR Reform

The Study Group on SGATAR is the only official organization for collaboration on tax administration in the Asia-Pacific region. As the president of the Permanent SGATAR Task Force, the STA, together with Indonesia and Japan, achieved fruitful results in research on SGATAR's future development, and cooperation with other international organizations to improve members' tax collection and management capabilities and promote the improvement of tax indicators for better business environment. During the 49th Annual Meeting of the SGATAR in 2019, the provision about capacity building, the future development of SGATAR and tax-related indicators in *Doing Business* are endorsed by the Heads of Delegations (HODs).

Wang Jun, the Commissioner of the STA, attended the 49th Annual Meeting of the SGATAR, and delivered a keynote speech to share the measures China had taken to implement larger-scale tax and fee cuts, which was positively evaluated by all sides.

○ **Helping Developing Countries with Capacity Building**

The STA helps developing countries in Asia, Africa and Latin America with their capacity building in a variety of ways, including legislative consultation, featured discussion, expert support, experience sharing and technical assistance. In 2019, the STA carried out aid projects on taxation with Central Asia Regional Economic Cooperation, and held seminars for developing countries taking advantage of the cooperation projects of the People's Bank of China and the IMF, inviting countries along "the Belt and Road" to promote international cooperation, with 26 tax officials from 15 developing countries participated.

The STA makes full use of the multilateral tax centers established in cooperation with the OECD to help developing countries improve their capabilities in tax collection and administration. In 2019, seven seminars were held for 134 tax officials from 37 developing countries.

Bilateral Exchanges and Cooperation

In accordance with bilateral cooperation agreements and memoranda with tax authorities of the Netherlands, South Korea, Japan, France, Brazil, Kazakhstan, Italy, Australia, Mongolia, Argentina, Kenya, Kyrgyzstan, Denmark, Russia, Ethiopia and Singapore, the STA has engaged in bilateral meetings and exchanges at both high and working levels.

The STA selected and sent tax officials to Spain, Germany, Canada, Japan, the Netherlands, Brazil and Austria to receive training on big data management and application, social insurance system, collection and administration of social security fees, individual income tax and management, taxpayer service and administration, tax policy analysis as well as administration of tax source.

In 2019, the STA seconded 18 tax officials to the USA, Japan, Australia, Ukraine, Lesotho and other countries, covering continents including Europe, America, Asia, Africa and Oceania. Another eight tax officials under the Leading Talent Program were sent to international organizations and world-famous universities to work as interns or study as visiting scholars. In the first half of 2020, the STA will continue to send tax officials to Chinese embassies, consulates and representative

offices in countries including Italy, Egypt and Singapore. Those seconded tax officials play an active role in facilitating domestic tax reform, international tax cooperation, tax policy consultation and international communication, laying solid groundwork for a new system of service and administration and a new pattern of opening up for taxation.

In 2019, the STA also received other tax authorities and held bilateral communications with them (See Table 6).

Table 6 Jurisdictions that Visited STA in 2019

Jurisdictions	No. of Visitors
South Korea, Japan, UK, the Netherlands, Italy, Russia, Germany, Australia, Belgium, France, Canada, Singapore, Poland, Ukraine, Vietnam, Afghanistan, Algeria, Angola, Argentina, Armenia, Austria, Azerbaijan, Bangladesh, Brunei, Burundi, Cambodia, Cameroon, Côte d'Ivoire, Cyprus, Czech Republic, Congo, Djibouti, Egypt, Gabon, Gambia, Georgia, Ghana, Greece, Guyana, Hungary, Indonesia, Iran, Ireland, Jersey, Kazakhstan, Kuwait, Liechtenstein, Lithuania, Mongolia, Morocco, Myanmar, Nepal, New Zealand, Nigeria, Oman, Papua New Guinea, Peru, Qatar, Romania, Rwanda, Samoa, Saudi Arabia, Senegal, Serbia, Sierra Leone, Slovakia, Slovenia, Somalia, South Africa, South Sudan, Sudan, Suriname, Switzerland, Tajikistan, Thailand, Philippines, UAE, East Timor, Togo, Uruguay, Uzbekistan Venezuela, Zimbabwe; Chinese Hong Kong, Chinese Macao, etc.	576

Expanding Tax Treaty Network

China has signed 107 tax treaties with other countries and two arrangements with Hong Kong Special Administrative Region (SAR) and Macao SAR by the end of 2019. A tax treaty was also signed between the Chinese Mainland and Taiwan (See Tables 7, 8 and 9).

Table 7

Tax Treaties between China and Other Countries

Country	Signed on	Effective from	Country	Signed on	Effective from
Japan	1983.09.06	1984.06.26	USA	1984.04.30	1986.11.21
France	1984.05.30	1985.02.21	UK	1984.07.26	1984.12.23
	2013.11.26	2014.12.28		2011.06.27	2013.12.13
Belgium	1985.04.18	1987.09.11	Germany	1985.06.10	1986.05.14
	2009.10.07	2013.12.29		2014.03.28	2016.04.06
Malaysia	1985.11.23	1986.09.14	Norway	1986.02.25	1986.12.21
Denmark	1986.03.26	1986.10.22	Singapore	1986.04.18	1986.12.11
	2012.06.16	2012.12.27		2007.07.11	2007.09.18
Canada	1986.05.12	1986.12.29	Finland	1986.05.12	1987.12.18
				2010.05.25	2010.11.25
Sweden	1986.05.16	1987.01.03	New Zealand	1986.09.16	1986.12.17
Thailand	1986.10.27	1986.12.29	Italy	1986.10.31	1989.11.14

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Netherlands	1987.05.13	1988.03.05	Czechoslovakia (applicable to Slovakia) ^①	1987.06.11	1987.12.23
	2013.05.31	2014.08.31			
Poland	1988.06.07	1989.01.07	Australia	1988.11.17	1990.12.28
Yugoslavia (applicable to Bosnia and Herzegovina) ^②	1988.12.02	1989.12.16	Bulgaria	1989.11.06	1990.05.25
Pakistan	1989.11.15	1989.12.27	Kuwait	1989.12.25	1990.07.20
Switzerland	1990.07.06	1991.09.27	Cyprus	1990.10.25	1991.10.05
	2013.09.25	2014.11.15			
Spain	1990.11.22	1992.05.20	Romania	1991.01.16	1992.03.05
	2018.11.28	(Not effective yet)		2016.07.04	2017.06.17

① The Chinese government signed the *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME* with the government of the Czechoslovak Socialist Republic on June 11, 1987. The Agreement continued to be applicable when the Czechoslovak Socialist Republic changed its name as Czech-Slovak Federal Republic, Czech and Slovak Federal Republic in 1990. Czech and Slovak Federal Republic was dissolved into the Czech Republic and the Slovak Republic on January 1, 1993, and the above-mentioned Agreement was still applicable to China and the two countries. The Chinese government signed the *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME* with the government of Czech Republic on August 28, 2009, which has come into force.

② The Chinese government signed *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND CAPITAL* with the federal parliament executive committee of the Socialist Federal Republic of Yugoslavia (Yugoslavian government) on December 12, 1988. Yugoslavia was dissolved later and the Ministry of Foreign Affairs reported that the Agreement would be a legacy for the countries after dissolution. The Chinese government signed *AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND CAPITAL* with countries after dissolution. Bosnia and Herzegovina is the only one country left without signing new treaty with China, so the above mentioned agreement is still applicable to China and Bosnia and Herzegovina.

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Austria	1991.04.10	1992.11.01	Brazil	1991.08.05	1993.01.06
Mongolia	1991.08.26	1992.06.23	Hungary	1992.06.17	1994.12.31
Malta	1993.02.02	1994.03.20	UAE	1993.07.01	1994.07.14
	2010.10.18	2011.08.25			
Luxembourg	1994.03.12	1995.07.28	Korea	1994.03.28	1994.09.27
Russia	1994.05.27	1997.04.10	Papua New Guinea	1994.07.14	1995.08.16
	2014.10.13	2016.04.09			
India	1994.07.18	1994.11.19	Mauritius	1994.08.01	1995.05.04
Croatia	1995.01.09	2001.05.18	Belarus	1995.01.07	1996.10.03
Slovenia	1995.02.13	1995.12.27	Israel	1995.04.08	1995.12.22
Vietnam	1995.05.17	1996.10.18	Turkey	1995.05.23	1997.01.20
Ukraine	1995.12.04	1996.10.18	Armenia	1996.05.05	1996.11.28
Jamaica	1996.06.03	1997.03.15	Iceland	1996.06.03	1997.02.05
Lithuania	1996.06.03	1996.10.18	Latvia	1996.06.07	1997.01.27
Uzbekistan	1996.07.03	1996.07.03	Bangladesh	1996.09.12	1997.04.10
Yugoslavia (applicable to Serbia and Montenegro) ^①	1997.03.21	1998.01.01	Sudan	1997.05.30	1999.02.09

① The Chinese government signed *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME* with Federal Republic of Yugoslavia (Yugoslavian government) on March 21, 1997. The Agreement continued to be applicable when the Federal Republic of Yugoslavia changed name as Serbia and Montenegro on February 4, 2003. On June 3, 2006, Serbia and Montenegro separated into the Republic of Serbia and the Republic of Montenegro, and this Agreement is still applicable to China and these two countries.

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Macedonia	1997. 06. 09	1997. 11. 29	Egypt	1997. 08. 13	1999. 03. 24
Portugal	1998. 04. 21	2000. 06. 07	Estonia	1998. 05. 12	1999. 01. 08
Laos	1999. 01. 25	1999. 06. 22	Seychelles	1999. 08. 26	1999. 12. 17
Philippines	1999. 11. 18	2001. 03. 23	Ireland	2000. 04. 19	2000. 12. 29
South Africa	2000. 04. 25	2001. 01. 07	Barbados	2000. 05. 15	2000. 10. 27
Moldova	2000. 06. 07	2001. 05. 26	Qatar	2001. 04. 02	2008. 10. 21
Cuba	2001. 04. 13	2003. 10. 17	Venezuela	2001. 04. 17	2004. 12. 23
Nepal	2001. 05. 14	2010. 12. 31	Kyrgyzstan	2001. 09. 12	2003. 07. 27
Indonesia	2001. 11. 07	2003. 08. 25	Oman	2002. 03. 25	2002. 07. 20
Nigeria	2002. 04. 15	2009. 03. 21	Tunisia	2002. 04. 16	2003. 09. 23
Iran	2002. 04. 20	2003. 08. 14	Bahrain	2002. 05. 16	2002. 08. 08
Greece	2002. 06. 03	2005. 11. 11	Kyrgyzstan	2002. 06. 24	2003. 03. 29
Morocco	2002. 08. 27	2006. 08. 16	Sri Lanka	2003. 08. 11	2005. 05. 22
Trinidad and Tobago	2003. 09. 18	2005. 05. 22	Albania	2004. 09. 13	2005. 07. 28
Brunei	2004. 09. 21	2006. 12. 29	Azerbaijan	2005. 03. 17	2005. 08. 17
Georgia	2005. 06. 22	2005. 11. 10	Mexico	2005. 09. 12	2006. 03. 01
Saudi Arabia	2006. 01. 23	2006. 09. 01	Algeria	2006. 11. 06	2007. 07. 27
Tajikistan	2008. 08. 27	2009. 03. 28	Ethiopia	2009. 05. 14	2012. 12. 25
Czech	2009. 08. 28	2011. 05. 04	Turkmenistan	2009. 12. 13	2010. 05. 30
Zambia	2010. 07. 26	2011. 06. 30	Syria	2010. 10. 31	2011. 09. 01

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Uganda	2012. 01. 11	(Not effective yet)	Botswana	2012. 04. 11	(Not effective yet)
Ecuador	2013. 01. 21	2014. 03. 06	Chile	2015. 05. 25	2016. 08. 08
Zimbabwe	2015. 12. 01	2016. 09. 29	Cambodia	2016. 10. 13	2018. 01. 26
Kenya	2017. 09. 21	(Not effective yet)	Gabon	2018. 09. 01	(Not effective yet)
The Republic of Congo	2018. 09. 05	(Not effective yet)	Angola	2018. 10. 09	(Not effective yet)
Argentina	2018. 12. 02	(Not effective yet)			

Table 8 Tax Arrangements Between the Chinese Mainland and Hong Kong SAR and Macao SAR

Region	Signed on	Effective from
Macao	2003. 12. 27	2003. 12. 30
Hong Kong	2006. 08. 21	2006. 12. 08

Table 9 Tax Treaty Between the Chinese Mainland and Taiwan

Region	Signed on	Effective from
Taiwan	2015. 08. 25	(Not effective yet)

Expanding Exchange of Information (EOI) Network

In the 1990s, the exchange of information on request was the main form of EOI and ten countries including the US, the UK, Japan and South Korea were our partners. As China blends into the world economy in the 21st century, its rate of exchange of information for tax purposes has accelerated. China has maintained stable working relationships with over 50 tax jurisdictions in relation to EOI in 2019 and reviewed over 300 cases of EOI on request. It also continued to carry out cooperation programs of EOI with other countries through the JITSIC platform.

China signed the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* in August 2013 (See Table 10). The Convention became applicable to China on February 1, 2016 and has started to be implemented by China since January 1, 2017. China also signed *Tax Information Exchange Agreements* (TIEAs) with ten tax jurisdictions including Bahamas, British Virgin Islands, Isle of Man, Guernsey, Jersey, Bermuda, Argentina, Cayman Islands, San Marino and Liechtenstein, all of which have come into force and been implemented (See Table 11). China's mutual administrative assistance network has expanded to cover major trade partners and low tax jurisdictions which have frequent economic ties with China.

In 2014, China promised to implement the Standard for Automatic Exchange of Financial Account Information. With the approval of the State Council, the STA signed the *Multilateral Competent Authority Agreement on Automatic Exchange of Financial Information* in December 2015.

In May 2017, the STA, the MOF, the People's Bank of China (PBOC), the China Banking Regulatory Commission (CBRC), the China Insurance Regulatory Commission (CIRC) and the China Securities Regulatory Commission (CSRC) jointly rolled out the *Measures on Due Diligence of Nonresident Financial Account Information in Tax Matters*. It took effect on July 1, 2017 and realized the implementation of CRS in China. In June 2018 and June 2019, domestic financial institutions successfully accomplished the report of nonresident financial account information in tax matters. In September 2018, China exchanged information with major economies and financial centers in the world, obtained offshore account information of Chinese taxpayers and laid a solid foundation for the fight against cross-border tax evasion and avoidance.

Table 10 Multilateral Tax Conventions Signed by the Chinese Government

SN	Name	Signed on	Effective from	Applicable since	Signed by
1	Multilateral Convention on Mutual Administrative Assistance in Tax Matters	2013.08.27	2016.02.01	2017.01.01	WANG Jun
2	Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports	2016.05.12			WANG Jun
3	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting	2017.06.07			WANG Jun

Table 11 TIEAs Signed by the Chinese Government

SN	Jurisdiction	Signed on	Effective from	Applicable since	Signed by
1	Bahamas	2009.12.01	2010.08.28	2011.01.01	HU Dingxian (Ambassador)
2	British Virgin Islands	2009.12.07	2010.12.30	2011.01.01	QIAN Guanlin
3	Isle of Man	2010.10.26	2011.08.14	2012.01.01	XIAO Jie
4	Guernsey	2010.10.27	2011.08.17	2012.01.01	XIAO Jie
5	Jersey	2010.10.29	2011.11.10	2012.01.01	XIAO Jie
6	Bermuda	2010.12.02	2011.12.31	2012.01.01	WANG Li
7	Argentina	2010.12.13	2011.09.16	2012.01.01	XIAO Jie
8	Cayman Islands	2011.09.26	2012.11.15	2013.01.01	SONG Lan
9	San Marino	2012.07.09	2013.04.30	2014.01.01	XIAO Jie
10	Liechtenstein	2014.01.27	2014.08.02	2015.01.01	LIANG Jianquan (Counsel-General in Zurich)