



State Taxation Administration Annual Report

(2022)

State Taxation Administration
People's Republic of China

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Commissioner's Message



Dear readers,

The *State Taxation Administration Annual Report (2022)* is officially published. This annual report provides a comprehensive and direct view of China's fresh progress and new achievements in upholding fundamental principles, breaking new ground and promoting high-quality tax modernization in 2022, encompassing tax and fee revenues, implementation of tax and fee cuts, deepening of the reform of tax collection and administration, taxpayer and fee payer services, tax supervision, international exchanges and cooperation, and smart taxation construction. This annual report also reviews the landmark events and important achievements made by Chinese tax authorities in the past decade in consistently advancing tax modernization, showing an arduous course of trailblazing and depicting a relentless journey of forging ahead. 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.

2022 was a year of great importance and significance in the history of the Communist Party of China (CPC) and the country. The 20th CPC National Congress convened successfully, drawing a grand blueprint for building a modern socialist country on all fronts. Chinese tax authorities earnestly studied Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implemented the spirit of the 20th CPC National Congress, resolutely carried out the decisions made by the CPC Central Committee and the State Council, made concerted efforts to overcome difficulties, and forged ahead with enterprise and fortitude. New progress, new breakthroughs and new results have been made in all lines of tax work, which leaves a prominent mark in tax modernization. We collected taxes and fees in accordance with laws and regulations to further strengthen the financial support for high-

quality development. We innovatively implemented the five-pronged strategy of “fast refunding, harshly cracking down on frauds, rigorous internal inspection, staying open to external supervision, and continuous publicity” to ensure that more than 4.2 trillion yuan worth of newly increased tax and fee cuts, tax refunds, tax and fee deferrals were rolled out “quickly, accurately, steadily and smoothly”. We carried out the “Spring Breeze Project” for the ninth consecutive year, and 121 measures related to the “Better Serving Taxpayers and Fee Payers Project” were put in place. We continued to deepen the reform of tax collection and administration, and accelerated the building of smart taxation featuring high integration, high safety and high efficiency. More than 140 valuable reform measures were implemented in batches. We successfully held the Meeting of the Heads of Tax Authorities of the BRICS Countries and assisted in hosting the Third Belt and Road Initiative Tax Administration Cooperation Forum, serving high-level opening up with greater effectiveness and higher efficiency.

With a long journey ahead, hard work is the only way out. 2023 is the first year for comprehensively implementing the spirit of the 20th CPC National Congress. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the STA will thoroughly implement the spirit of the 20th CPC National Congress, adhere to the Party’s overall leadership of tax work, and enhance the organizational structure by “effectively strengthening Party building”. The STA will fully and faithfully implement the new development philosophy on all fronts and better serve the development of the CPC and the country’s cause by “solidly performing tax responsibilities”. The STA will continue to cultivate a loyal, dedicated workforce with integrity and boost staff morale by “steadily optimizing personnel management”. The STA will better discharge the fundamental and supportive role of taxation in underpinning the national governance and make contributions to promoting overall economic development, achieving effective, moderate growth in terms of both quality and quantity, and serving the Chinese modernization.

The new journey ahead is an expedition full of glory and dreams. We are willing to join hands with all sectors of society and tax colleagues all over the world to foster synergy, carry out mutually beneficial cooperation, share development opportunities, promote economic growth and create a better future together. At the same time, we sincerely hope that you will continue to pay attention to and support China’s tax reform and development!

Wang Jun



Commissioner, State Taxation Administration

June, 2023

Overview of the STA's Work in 2022

- ◆ **Strengthening Party Building in Tax Authorities**
- ◆ **Collecting Taxes and Fees**
- ◆ **Implementing Tax- and Fee- Related Supporting Policies**
- ◆ **Further Deepening the Reform of Tax Collection and Administration**
- ◆ **Optimizing Taxpayer and Fee Payer Services**
- ◆ **Strengthening Tax Supervision and Tax Audit**
- ◆ **Serving Major National Development Strategies**
- ◆ **Strengthening International Exchanges and Cooperation**
- ◆ **Exercising Full and Rigorous Party Self-governance and Cultivating a Competent Workforce**

In 2022, faced with the severe impact of the Covid-19 pandemic for the last 3 years and a grave and complicated situation at home and abroad, the STA followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the spirit of the 20th CPC National Congress and implemented the decisions made by the CPC Central Committee and the State Council. The STA led tax staff across the country in performing their duties and responsibilities, tackling difficulties head-on and forging ahead with enterprise and fortitude. As a result, under the theme of “effectively strengthening Party building, solidly performing tax responsibilities and steadily optimizing personnel management”, various tasks of reform and development have been completed smoothly. New progress and new achievements have been made in solidly promoting tax modernization.

Strengthening Party Building in Tax Authorities

The STA consistently conducts in-depth learning of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, instructs tax staff across the country to study recent speeches, important instructions and statements of General Secretary Xi Jinping, so as to keep in mind that the tax authority is first a political organ. The STA resolutely establishes Comrade Xi Jinping's core position on the CPC Central Committee and in the Party as a whole and establishes the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. The STA firmly upholds Comrade Xi Jinping's core position on the CPC Central Committee and in the Party as a whole and upholds the CPC Central Committee's authority and its centralized, unified leadership. Aiming at studying, publicizing and implementing the spirit of the 20th CPC National Congress, the STA has organized and conducted a wide discussion on how tax modernization can serve the Chinese modernization in the tax system and the STA has made a practical plan

for achieving tax modernization guided by the spirit of the 20th CPC National Congress. With a high level of political consciousness, the STA accepts inspection from the central government, shoulders primary responsibilities, and completes the three major tasks of self-examination and rectification, targeted rectification of problems and in-depth rectification. The STA completes the tasks according to the Two Year Plan for High-Quality Development in Party Building, further optimizes the mechanisms and systems for "Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration" and implement in trial the in-depth integration of Party-building with tax work in some tax departments, so as to give full play to the guiding role of Party building and continuously improve the efficiency of Party building in tax authorities. In the 2022 Party Building work assessment by the local government, 100%, 98% and 94% of tax authorities at the provincial level, the municipal level and the county level were ranked as "Outstanding".

Column 1

Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration

To resolve problems and challenges in Party building in tax authorities, including "dual leadership system lacking effective coordination", decline of pressure and progressive weakening of responsibilities after being passed through multiple hierarchies, the Party Committee of the STA proposed a working mechanism of "Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration" in July 2016, which featured joint efforts of the tax authorities and the local governments in

properly conducting Party building work and team building with the former taking initiative and the latter at the center. In 2018, after the reform of tax collection and administration systems, the STA adjusted and improved the above-mentioned mechanism in time. Tax authorities would take the primary responsibility and the work of various departments are led by both local governments and superior tax authorities. Vertically, a mode of collaboration in Party building work is formed which includes both the

collaboration between Party committee of the superior tax authority and of the subordinate tax authority and the collaboration between the Party committee of the local governments where the superior and subordinate tax authorities reside and their work departments and sections, focusing on resolving the problem of insufficiency in implementing the primary responsibilities. Horizontally, seven aspects of integration have been realized including the integration of Party building with Party conduct, Party building in local governments with Party building in the tax system, Party building with personnel management, Party building with law enforcement supervision and internal control, Party building with staff education and training, Party building with performance management and Party building with tax work, focusing on resolving the problem of lack of strong coordination and cooperation among departments. As a result, the STA can see a more orderly coordination between superior and subordinate tax authorities and between different departments, more efficient delegation of responsibilities from the superior to the subordinate and more effective cooperation between tax staff. In recent years, with continuous improvement and effective implementation, the mechanism and institutional system of “Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration” achieved remarkable results. Arranged by the State Organs Work Committee of CPC Central Committee, the STA shared

its experiences in a speech in the conference of Party work and discipline inspection work of central and governmental departments in 2019. Ding Xuexiang, the secretary of State Organs Work Committee of CPC Central Committee, expressed his acknowledgement of the mechanism and institutional system when he led a work group to conduct research in the STA in 2020. After specialized research of the mechanism and institutional system in 2021, the Organization Department of CPC Central Committee specially promoted this mechanism nationwide by issuing *Report of Work* and published the full text on the Top News column of *People's Daily* and on the headline of *China Organization and Personnel Journal*, which attracted widespread attention. In 2023, the *Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration—Exploration and Practice of the Tax System in Enhancing and Improving Party Building* was published and distributed by the Central Party School Press. The book made an in-depth analysis of the intrinsic mechanism, major requirements and key measures of “Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration” and the experiences and approaches of tax authorities across the nation in utilizing this mechanism to maximize the leading role of Party building, improve the efficacy and efficiency of work and achieve remarkable results in serving economic development.

Collecting Taxes and Fees

To resolutely fulfill the primary responsibility of providing financial guarantee for the nation, the STA collected taxes and fees in accordance with laws and regulations. The STA further improved the mechanism of Revenue Quality Monitoring and Analysis and resolutely guarded against the collection of “excessive taxes and fees”. In 2022, tax

revenues collected by the STA totaled 16.1 trillion yuan (excluding taxes collected by the Customs on behalf of tax authorities and with no deduction of export refund), which achieved the budget target, representing a year-on-year decrease of 6.2%. Considering the impact of Value Added Tax (VAT) credit refund policy and objective factors such as

the decline of tax sources, tax revenue increased by 4.6% year-on-year, which was compatible with the growth rate of Nominal GDP. The STA resolutely carried out work on social security contributions and non-tax revenue collection and

services, continuously enhanced standardization and professional levels. A total of 7.4 trillion yuan of social security contributions were collected in 2022. The total taxes and fees collected by the STA in 2022 reached 31.4 trillion yuan.

Table 1 The National Aggregate Tax Revenue (2022)

(Unit: one hundred million yuan)

Item	2022	2021	Year-on-year Growth Rate (%)
The National Aggregate Tax Revenue	142,066	154,573	-8.1
Export Tax Refund	18,678	16,719	11.7
Collected National Aggregate Tax Revenue	160,744	171,291	-6.2
Domestic VAT	48,912	63,573	-23.1
Domestic Excise Tax	16,867	14,047	20.1
Enterprise Income Tax	43,877	42,238	3.9
Individual Income Tax	15,141	14,145	7.0
Other Taxes	35,946	37,288	-3.6

Note: Tax revenue in this part excludes taxes collected by Customs on behalf of tax authorities, Customs Duty and Vessel Tonnage Tax.

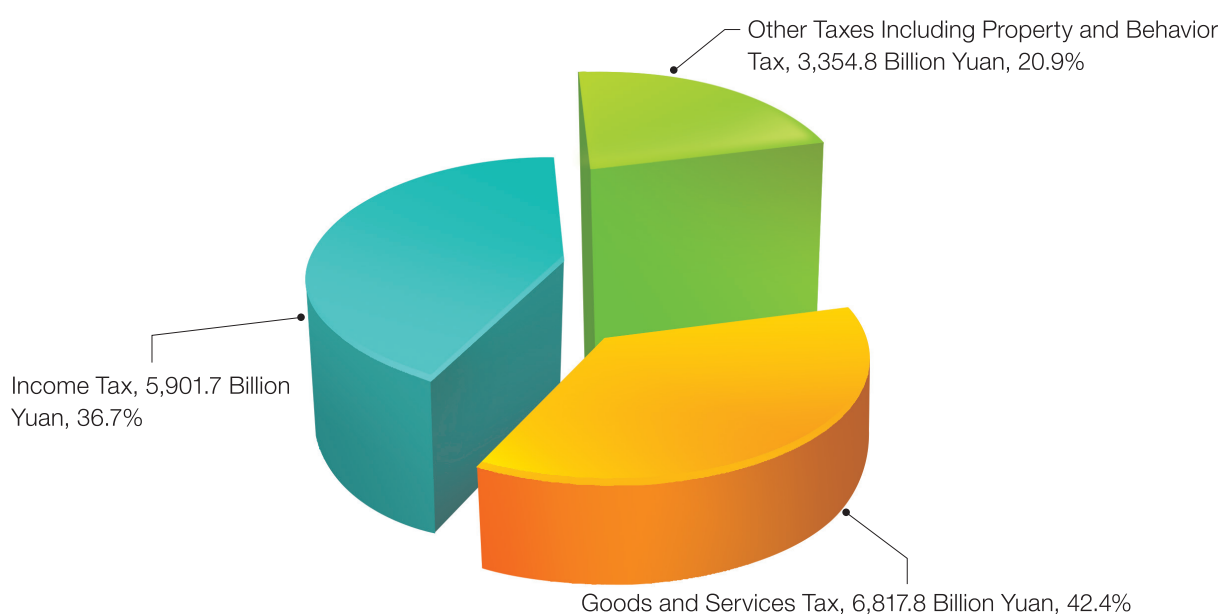


Figure 1 The Structure of Tax Revenues Including Goods and Services Tax, Income Tax, Property and Behavior Tax (2022)

Table 2 Social Security Contributions Collected by Tax Authorities (2022)

(Unit: one hundred million yuan)

Item	Amount	Year-on-year Growth Rate (%)
Social Security Contribution	73,764.28	10.4
(a) Basic Pension Insurance	48,520.35	10.9
Basic Pension Insurance of Enterprise Employees	38,769.30	11.5
Basic Pension Insurance of Urban and Rural Residents	1,344.54	14.6
Basic Pension Insurance of Staff Working in Governmental Institutions	8,406.51	7.6
(b) Basic Medical Insurance (Including Maternity Insurance)	22,760.21	9.1
Basic Medical Insurance of Enterprise Employees (Including Maternity Insurance)	19,417.33	9.3
Basic Medical Insurance of Urban and Rural Residents	3,342.88	7.8
(c) Unemployment Insurance	1,479.29	12.0
(d) Employment Injury Insurance	981.78	14.0
(e) Occupational Injury Protection Fee	3.36	—
(f) Long-term Care Insurance	19.29	—

Table 3 Non-tax Revenue Collected by Tax Authorities (2022)

(Unit: one hundred million yuan)

Item	Amount	Year-on-year Growth Rate (%)
Non-tax Revenue	75,100.03	—
Including: Central Revenue	3,442.98	4.6
Local Revenue	71,657.05	95.4
General Public Budgetary Revenue	8,578.11	11.4
Budgetary Revenue for Government-managed Funds	66,197.89	88.2
Budgetary Revenue for State Capital Operations	324.03	0.4

Implementing Tax- and Fee- Related Supporting Policies

The STA followed the decisions made by the CPC Central Committee and the State Council on strengthening the cross-cycle and counter-cycle adjustment of macro policies, actively participated in the study of a series of tax- and fee- related supporting policies and effectively implemented these policies. In particular, the large-scale VAT tax credit refund policy features high working requirements, long time span, and high risks. The STA adhered to the five-pronged strategy of “fast refunding, harshly cracking down on frauds, rigorous internal inspection, staying open to external supervision, and continuous publicity”. The STA also creatively implemented the cross-departmental, synthetic and three-dimensional mode of operation, enhanced policy publicity, and upgraded information systems so as to promote the implementation of various policies quickly, accurately, steadily and smoothly. The STA resolutely prevented the benefits of tax- and fee- related supporting policies from falling

into the pockets of wrongdoers. In 2022, the amount of newly-introduced tax and fee cuts, tax refunds, and tax and fee deferrals exceeded 4.2 trillion yuan. VAT credit refund reached 2,458.5 billion yuan, which was more than 3.8 times of the scale of that in 2021, playing a key role in assisting enterprises to alleviate their difficulties in development, stabilizing the macro-economy, and promoting high-quality development. With the strong support of tax- and fee- related supporting policies, the operating pressure of enterprises has been effectively alleviated and their development strength has been steadily strengthened. According to a survey on 100,000 key tax source enterprises organized by the STA, the tax burden per 100 yuan of business income decreased by 2.7% in 2022. The amount of purchases made by enterprises enjoying VAT credit refund policy in the manufacturing industry increased by 8.2% year-on-year, which boosted their confidence in expanding production.

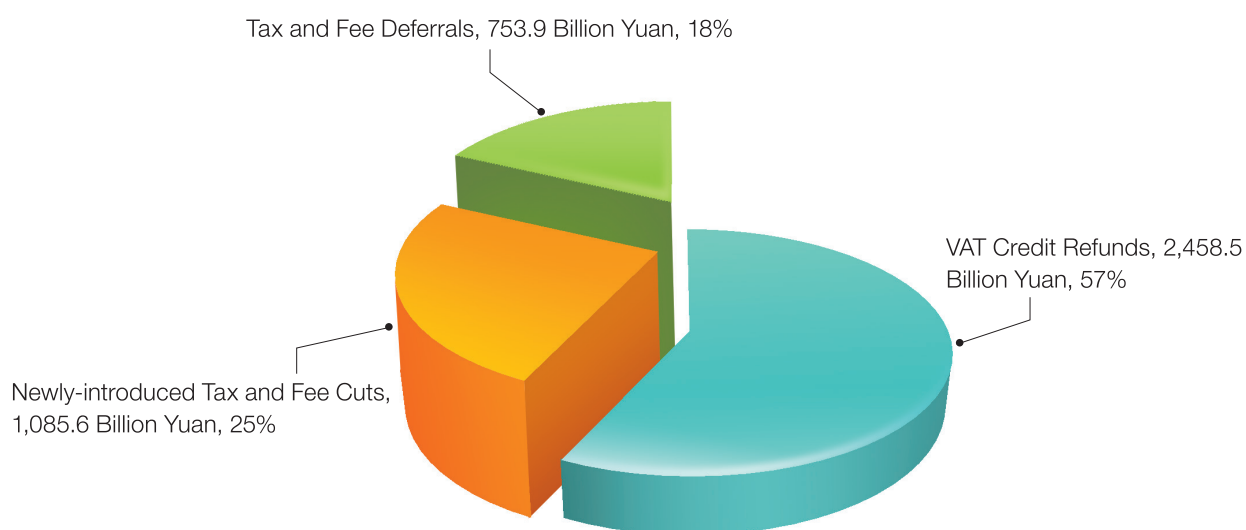


Figure 2 Newly-introduced Tax and Fee Cuts, Tax Refunds, and Tax and Fee Deferrals (2022)

Implementing the Five-pronged Strategy of “Fast Refunding, Harshly Cracking Down on Frauds, Rigorous Internal Inspection, Staying Open to External Supervision, and Continuous Publicity”

The STA has explored and implemented the scientific and five-pronged strategy of “fast refunding, harshly cracking down on frauds, rigorous internal inspection, staying open to external supervision, and continuous publicity” while implementing VAT refund policies. “Fast refunding” refers to that the STA timely established the qualified taxpayers list and delivered the policies to the target taxpayers based on the E-tax Service platform. Led by the government leaders, the work mechanism has been established by the Treasury department, tax authorities, the People’s Bank of China at all levels to coordinate and work out difficulties such as cash flows, policy implementation and large amount of refund, so as to ensure that tax refunds were completed in a timely manner, the interaction between the tax system and the banking system was sped up, and the policies were implemented conveniently. “Harshly cracking down on frauds” means that the STA established the risk control mechanism based on tax big data to timely detect risks and respond to them accordingly, in order to prevent fraudulent taxpayers infringing the benefits of tax refunds. In particular, the six ministries, including the STA, the Ministry of Public Security, the People’s Procuratorate, the General Administration of Customs, the People’s Bank of China, and the State Administration of Foreign Exchange, jointly cracked down on tax fraud on a regular basis, with the focus on group-based, cross-regional, and malicious forgery criminal gangs

who illegally received refunds. Sticking to the principle of early and timely combatting, the STA retrieved tax losses of 15.5 billion yuan. “Rigorous internal inspection” is that the STA consistently conducted internal inspections and deepened the policy of “investigating both the suspect and his leaders in the department and in the Party committee”. The STA severely punished tax officials who have colluded with illicit taxpayers and claimed fraudulent tax refunds and the STA has exposed a number of typical cases. “Staying open to external supervision” is that the STA took initiative to accept external supervision and invited representatives such as National People’s Congress (NPC) deputy and Chinese People’s Political Consultative Conference (CPPCC) member, government-designated supervisor, tax service experimenter to participate in the “Listening to Recommendations” activity, launched the “Opinion Column on Tax Refund and Tax Cut” on the official website, and listened and responded to more than 9 thousand pieces of opinions and suggestions. “Continuous publicity” is that the STA advanced the publicity and interpretation on tax policies. In 2022, the STA hosted 13 press conferences and 16 rounds of publicity campaign and carried out the “longer version” of National Tax Publicity Month to deliver and interpretate policies and present the implementation results. The STA has informed 11.77 million taxpayers who were eligible for enjoying tax and fee cut policies, thus guiding social expectation and boosting market confidence.

Further Deepening the Reform of Tax Collection and Administration

To implement the *Opinions on Further Deepening the Reform of Tax Collection and Administration* issued by the General Office of the CPC Central Committee and the General Office of the State Council in March 2021, the STA has planned and promoted the intelligent tax blueprint from “taxation based on experience and invoice” to “IT-based taxation” and advanced the digitalization and intelligent upgrade of tax governance. Optimizing the digital e-invoicing platform and gradually expanding the application of e-invoice is another key measure after the Digital Currency Electronic Payment to promote the digital transformation of the economy and society. The STA has piloted to construct a nationally unified and standardized E-tax service to realize the scenario-based application of digitalization and intellectualization.

The STA has formulated “One Legal Person-based”, “One Natural Person-based”, “One Tax Service Branch-based” and “One Tax Official-based” data collection rules, accelerating the governance ability in tax data. The STA has explored to build a new tax administration and service model of “Headquarter-to-headquarter”, “Taxation-to-group” and “Network-to-network”, promoting the governance and administration in key tax sources. Based on data such as VAT invoices, the STA has carried out analysis of economic operation. The STA submitted 311 analysis reports and local tax authorities presented over 20 thousand reports to local governments at the same level to actively assist in decision-making and coordinate Covid-19 prevention and control and economic and social development.

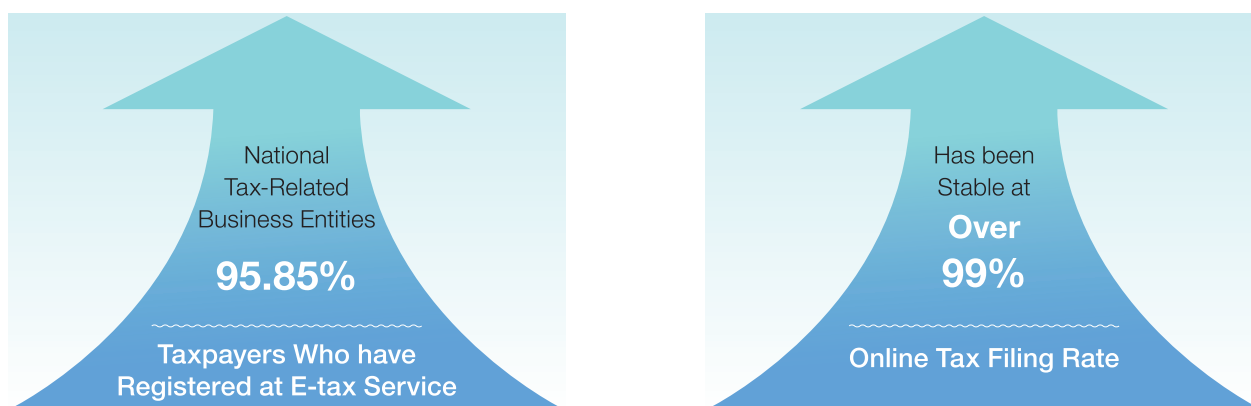


Figure 3 Information of the E-tax Service

Optimizing Taxpayer and Fee Payer Services

Under the theme of “intelligent taxation boosts development, benefits enterprises and people and stabilizes economic growth”, the STA has carried out the “Spring Breeze Project” for the ninth consecutive year and introduced three batches of 121 measures in 5 categories to facilitate taxpayers. The STA continuously made efforts in promoting digitalized taxpayer and fee payer services, in which the non-contact taxpayer service methods have been applied to most of the tax work. The Publicity and Guidance Label System has been established, which included 4219 specific labels of 9 categories. In 2022, targeted policy pushing was launched which benefited taxpayers more than 475 million times, promoting the implementation of tax preferential policies. We actively carried out study on the new system of business environment evaluation launched by the World Bank and further implemented the State Council's business environment innovation pilot project. 12 out of the total 16 measures were promoted nationwide after assessed by the State Council. The STA continued to

work together with the All-China Federation of Industry and Commerce to carry out the “Spring Rain Moistening Sprouts” Special Action targeting at supporting the development of micro and small enterprises and launched 12 measures in 4 main categories. Cooperating with the Ministry of Industry and Information Technology, the STA carried out the taxpayer service project for micro and small businesses under the theme of “Relieving Burdens, Solving Difficulties and Promoting Development” to provide intelligent and targeted services to taxpayers. Through the Tax-Bank Interaction, small businesses received credit loans totaling 2.25 trillion yuan, increasing 33.9% year-on-year. According to third-party survey results, taxpayer satisfaction rate has increased to 89.2 points in 2022. The results of the 2022 survey on evaluation of business environment by ten thousand private enterprises released by the All-China Federation of Industry and Commerce showed that tax payment convenience has been rated the highest among public services for three consecutive years.

The All-China Federation of Industry and Commerce released the results of the 2022 survey on evaluation of business environment by ten thousand enterprises, which showed that

tax payment convenience has been rated the **highest**
among public services for **3** consecutive years.

Figure 4 The Continuous Upgrading of Taxpayer Satisfaction in Recent Years

Column 3

The “Spring Breeze Project”

Since 2014, the STA carried out the “Spring Breeze Project” for the ninth consecutive year, and introduced 539 measures to facilitate taxpayers’ handling of tax affairs which further promoted their satisfaction and sense of gain consistently. The Central Party History Learning and Education Leading Group Office has listed the “Spring Breeze Project” as an excellent case for Party history learning and education.

In 2022, with the theme of “Intelligent taxation boosts development, benefits enterprises and people and stabilizes economic growth”, the STA introduced three batches of 121 measures in 5 categories to release dynamic energy with progressive services and continuous tax benefits, making it more convenient and heart-warming for taxpayers to handle tax-related matters.

Column 4

Advancing the “Spring Rain Moistening Sprouts” Special Action to Promote the Development of Micro and Small Businesses

In 2021, the STA worked together with the All-China Federation of Industry and Commerce to carry out the “Spring Rain Moistening Sprouts” Special Action targeting at supporting the development of small and micro enterprises. In 2022, through implementing a batch of tax- and fee- related supporting policies and enhancing the confidence and creativity of businesses in overcoming difficulties, the STA continued to work together with other departments to implement this action and launched 12 measures

in 4 main categories of theme activities including “delivering policies”, “providing better taxpayer experience”, “overcoming difficulties” and “mutual assistance”. Tax authorities at all levels have carried out a total of more than 97 thousand publicity campaigns to communicate tax- and fee- related supporting policies to micro and small enterprises and individual industrial and commercial households, benefiting more than 22 million taxpayers and fee payers.

Tax-Bank Interaction

To relieve the financing difficulties of small enterprises, since 2015 the STA has been working together with the China Banking Regulatory Commission (CBRC) on Tax-Bank Interaction, which transfers the tax credit to financing credit and helps small and micro enterprises get credit loans without the mortgage. Especially during the Covid-19 period, tax authorities at all levels further deepened the cooperation with the China Banking and Insurance Regulatory Commission (CBIRC) and banks to provide targeted enterprises that

were heavily influenced by the epidemic with convenient measures. Meanwhile, the STA have expanded the scope of qualified taxpayers in the Tax-Bank Interaction on condition that the credit risk is controllable so as to further ensure that the capital chain is not broken for micro and small businesses. In 2022, through the Tax-Bank Interaction, micro and small businesses nationwide received credit loans totaling 2.25 trillion yuan from banks, increasing 33.9% year-on-year.

Strengthening Tax Supervision and Tax Audit

The STA further deepened the dynamic supervision based on “credit + risk”, and implemented differentiated service and supervision, to achieve efficiency in supervision to the maximum extent and disturbance on taxpayers to the minimum degree. The risk-based inspection mechanism of “Double Randoms and One Public” has been deepened to focus on the random inspection on key tax source enterprises. The STA actively promoted co-governance in revenue collection and optimized the regular working mechanism in combating tax fraud with joint efforts of six ministries and cracked down on fraudulent VAT credit refund. In 2022, 202.7 thousand companies suspected of issuing false invoices were inspected, involving a total tax of 135.31 billion yuan. The STA has also audited 2,144

export companies, leading to the retrieval of 7.321 billion yuan in tax losses. The STA cooperated with the public security departments and took 8,339 suspects into custody and 903 suspects voluntarily turned themselves in. The STA has also worked on solving the supervision difficulties in invoice issuance to improve tax administration. The STA continuously regulated the entertainment and internet broadcasting industry and conducted investigations and exposed tax evasion cases involving several celebrities, forming a five-step-method of alerting risks, supervising problem-solving, warning visit, building tax audit cases and public exposure, to achieve the integration of enforcement strength and intensity. Overall, the STA has achieved a good result.

Column 6

The “Five-Step Method”

In 2021, the STA investigated tax evasion cases involving celebrities such as Zheng Shuang, Huang Wei. Enhancing the regulation on the entertainment and internet broadcasting industry, it explored and formed the “Five-Step Method” of alerting risks, supervising problem-solving, warning visit, building tax audit cases and public exposure. Based on big data analysis, tax authorities first send alerts to taxpayers with potential tax risks and ask taxpayers to rectify

mistakes. Then tax authorities may visit these taxpayers. If the taxpayers do not cooperate, tax authorities will perform audits. Cases with serious implications and bad social influence will be exposed to the public. As a result, the comprehensive effects of enhancing the accuracy of the crackdown, reducing the cost of law enforcement and forming a strong deterrent to criminals can be achieved.

Column 7

The Regular Working Mechanism on Combatting Illegal Invoicing and Fraudulent Tax Refund with Joint Efforts of Multiple Ministries

Since August 2018, cooperating with the Ministry of Public Security, the General Administration of Customs, and the People's Bank of China, the STA has launched the special action of attacking the “fake enterprise” issuing invoices without business substance, “fake export” without actual export transactions, as well as “fake filing”, effectively regulating the taxation order of key industries and key areas. For example, in the area with potential high tax risk such as agricultural products and used materials, the

case rate has been decreased. Accordingly, the STA invited the People's Procuratorate and the State Administration of Foreign Exchange to join the mechanism, which has transformed from an occasional four-ministries mechanism to a regular six-ministries mechanism, and realized the transfer from concentrated fighting to ongoing attack on “fake enterprise”, “fake export” and “fake filing”. In June 2023, the Supreme People's Court participated in the mechanism as well.

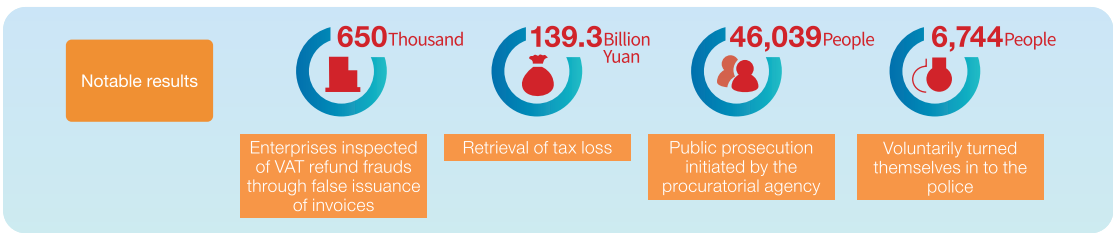


Figure 5 Results of Fighting “Fake Enterprise”, “Fake Export” and “Fake Filing” (From August 2018 to the End of 2022)

Serving Major National Development Strategies

Ten government agencies, including the STA, the Ministry of Commerce and General Administration of Customs have jointly issued *the Notice of Further Strengthening the Support to Export Tax Rebates and Promoting the Stable Development of Foreign Trade*. This initiative aimed to expedite the processing time for regular export tax rebates across the country to less than six working days. For export enterprises with good credit, the processing time has been reduced to less than three working days. This measure has significantly alleviated the difficulties faced by foreign trade enterprises and fostered their smooth development. Furthermore, the STA has signed a cooperation agreement with Zhejiang Provincial Government to promote high-quality development and build a demonstration area

of common prosperity. The goal is to create a Zhejiang model for taxation that promotes high quality development and common prosperity. The STA has directed provincial tax authorities in the north-east, west and Guangdong-Hong Kong-Macao Greater Bay Area to issue a series of measures aimed at enhancing the synergy between tax collection and taxpayer services. In addition, the STA has implemented preferential tax policies in regions such as the Hainan Free Trade Area, the Guangdong-Macao In-depth Cooperation Zone in Hengqin, the Nansha Pilot Zones and the Shanghai Lingang Special Area. These measures have fostered the coordinated regional development and contributed to creating a new highland of reform and opening-up.



The STA and Zhejiang Provincial Government have jointly launched 13 measures, striving to create a Zhejiang model of taxation that promotes high-quality development and common prosperity.

Strengthening International Exchanges and Cooperation

The STA has actively promoted bilateral tax exchanges and cooperation. This has led to the initiation of the China-OECD LLM Program on

Taxation, setting a new benchmark for cooperative educational programs between China and other countries in the field of international taxation. The

STA has also successfully hosted the Meeting of the Heads of Tax Authorities of the BRICS Countries. Innovations, such as the intelligent settlement of Individual Income Tax, Tax Publicity Month and Collaborative Management Mechanism for Transfer Pricing between Customs and Tax Authorities have been recognized as one of the nine “BRICS Best Tax Practices”. In addition, the STA has facilitated thematic discussions and fostered mutual learning at the working level with tax authorities from countries including Italy, Kazakhstan, India and Iran. The STA has been an active participant in the design and negotiation of the “Two-Pillar Solutions”. The STA has actively voiced China’s stances and opinions, advocating

for an international tax environment that supports the global development of multinational enterprises (MNEs) and contributes to the stable recovery of the world economy. Furthermore, the STA has assisted the General Directorate of Taxes of Algeria in hosting the Third Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF). Nearly 300 delegates, including heads of the Ministry of Finance and the tax authorities from 40 jurisdictions and representatives from 12 international organizations, attended this event on site or online. The forum issued six outcomes, including *the Joint Statement of the Third BRITACOF*.

Table 4 STA's International Exchanges (2022)

Countries (Regions)
Japan, South Korea, Saudi Arabia, India, Singapore, Iran, Kazakhstan, Turkmenistan, Netherlands, France, Italy, Algeria, Georgia, Sierra Leone, Hong Kong (China), Macau (China)

Column 8

The Belt and Road Initiative Tax Administration Cooperation Mechanism

The Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) was established in April 2019. It is a multilateral cooperation mechanism initiated by the STA and jointly established by all parties, with the Secretariat located in China. Over the past three years, the BRITACOM adhered to the spirit of openness and inclusiveness, and through various forms, levels and topics of activities, it has provided online and on-site platforms for the exchange of tax authorities in BRI jurisdictions,

promoting all parties to jointly enhance tax collection and administration capabilities. It contributes to the elimination of barriers to cross-border trade and investment, fosters regional coordinated development, and promotes the inclusive growth of economic globalization. As of the end of 2022, the BRITACOM has successfully convened three BRITACOFs, with the number of Council members increasing to 36 and the number of Observers increasing to 30.

China-OECD LLM Program on Taxation (COTP)

The COTP is the latest achievement in China's ongoing efforts to deepen its collaboration with the OECD in the field of taxation. It has pioneered the cooperation between China and the OECD in conducting degree education in professional fields, aiming to help China and other developing countries to cultivate high-quality compound talents who are familiar with international tax rules and have a professional knowledge background, and promote the construction of

a global tax governance system. The program was initiated by the STA in consultation with the OECD, and was carried out in cooperation with the Ministry of Finance and Xiamen University. It started enrolling students in 2022, admitting 19 students in the first phase, including 9 Chinese students and 10 foreign students from the fiscal and tax departments of developing countries. In the future, it will issue internationally influential academic degree certificates.

Exercising Full and Rigorous Party Self-governance and Cultivating a Competent Workforce

The STA has diligently enforced the CPC Central Committee's requirements for promoting full and rigorous Party self-governance and cultivating a competent workforce. The STA has effectively strengthened self-construction and continuously enhanced the "six-in-one" new pattern for full and rigorous Party self-governance, cultivating a strict atmosphere by transmitting pressure to tax staff at every level. In strict accordance with the central Party leadership's eight-point decision on conduct and the rules for its implementation, the STA has bolstered the enforcement of oversight, discipline, and accountability. The STA has followed the right approach to selecting and appointing official, vigorously cultivated and selected young staff, and promoted a more balanced structure of leadership team at all levels of tax authorities. The STA has kept upgrading the Digital Personnel System and optimizing its assessment function, and comprehensively analyzed the operational

situation and identified key areas for improvements in Performance Management. *The Measures for the Application of Performance Evaluation Results* have been revised to highlight strict implementation and management. The STA has further promoted the integration of Digital Personnel Management and Performance Management, striving to improve automatic data generalization, aggregation and evaluation, and better stimulating the vitality and motivation of the tax officials. Youth work is considered a strategic task by the STA. The STA has studied, formulated and promoted thoroughly a three-year action plan for high-quality development of the youth in the STA, guiding and motivating young people to become pioneers and contributors for taxation supporting Chinese modernization. The STA issued *the Opinions of the CPC Party Committee in the STA on Further Strengthening Tax Talent Work in the New Era* and launched the

“2271” capacity enhancement project to actively build a new system of tax talents. It also continues to improve the “Xue Xi Xing Shui” platform,

organizing and developing learning resources that meet the needs of tax officials at different levels and positions.

Column 10

“Six-in-one” New Pattern for Exercising Full and Rigorous Party Self-governance in the Tax System

In 2021, the Party Committee of the STA clearly established a new “six-in-one” pattern for exercising full and rigorous Party self-governance. It includes “deepening political construction, exerting two responsibilities, integrating comprehensive supervision, integrating party building and tax business, implementing constraints and incentives, and integrating the organizational system”, aiming to lead and

guarantee the high-quality advancement of tax modernization in the new development stage. In 2022, in line with the deployment of the 20th CPC National Congress and the spirit of General Secretary Xi Jinping’s important statements, the Party Committee of the STA worked hard to optimize and upgrade the pattern into full and rigorous Party self-governance in tax authorities.

Column 11

“Xue Xi Xing Shui” Platform

In accordance with General Secretary Xi Jinping’s important instructions on advocating and strengthening learning, considering the characteristics of vertical management and homogeneous business in the tax system, the STA has been promoting the high-quality construction of the “Xue Xi Xing Shui” platform since 2020. The STA has innovated a complete set of “learning, testing, application, and evaluation” system. Through daily learning and practice, it guides tax officials to strengthen political theory and tax

business learning. It has explored new ways to integrate learning and education into daily work through online methods and gradually rolled it out in tax authorities across China. The functions of the “Xue Xi Xing Shui” platform are gradually expanded. Efforts are increased to build learning resources, and a learning resource library is built for different talents and different business areas. By the end of 2022, the “Xue Xi Xing Shui” platform had over 700,000 users, with a peak of 160,000 daily active users.

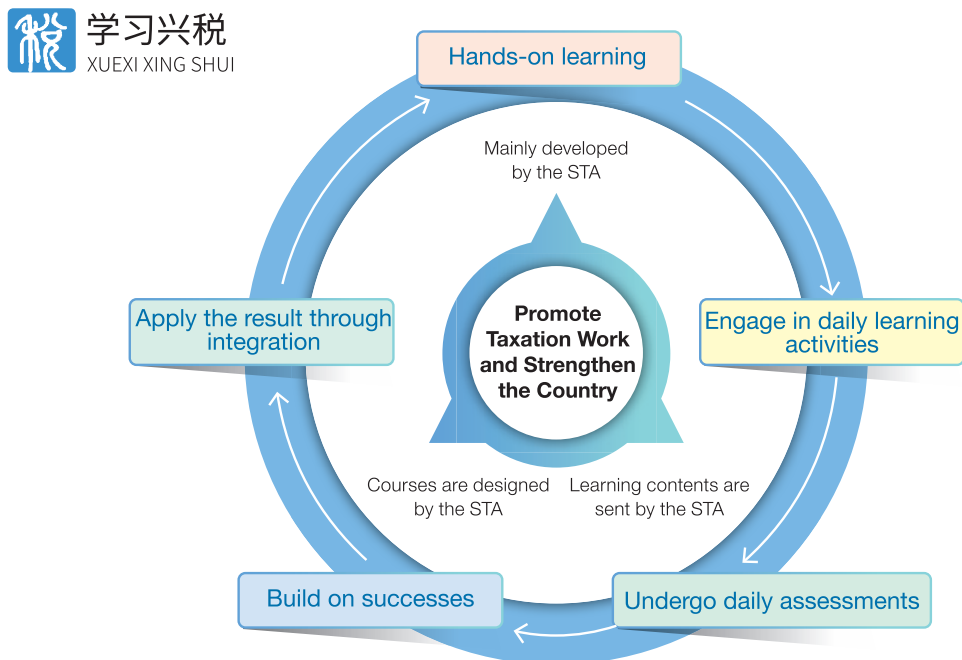


Figure 6 Functions and Applications of “Xue Xi Xing Shui” Platform

Column 12

“2271” Capacity Enhancement Project

In recent years, the STA has been diligently working towards establishing a “pyramid”-style talent hierarchy, with the goal of creating a team of highly skilled and specialized tax professionals. In 2022, the STA fully implemented General Secretary Xi Jinping’s important statements on talent work in the new era and the spirit of the CPC Talent Work Conference. In light of the

needs of tax modernization in the new era, the STA has built upon the foundation of the “1115” capacity enhancement project and launched an upgraded “2271” capacity enhancement project. The aim is to build a new system of tax talent team composed of about 200 strategic talents, 2000 leading talents, 70,000 professional models, and 10,000 young talents.

STA's Major Achievements in the Past Decade of a New Era

- ◆ **Comprehensively Strengthening the Party's Leadership of Taxation**
- ◆ **Achieving Historic Breakthroughs in Revenue Collection**
- ◆ **Delivering Remarkable Results in Implementing Tax and Fee Cuts**
- ◆ **Basically Establishing a Modern Tax System**
- ◆ **Achieving a Leap Forward in Tax and Fee Administration Efficiency**
- ◆ **Advancing the Construction and Application of the Big Data System**
- ◆ **Constantly Improving the Tax Environment**
- ◆ **Comprehensively Enhancing Tax Law Enforcement and Tax Supervision**
- ◆ **Continuously Promoting International Exchanges and Cooperation**
- ◆ **Steadily Cultivating a Loyal and Dedicated Workforce with Integrity**

The ten years since the 18th CPC National Congress concluded is a decade in which socialism with Chinese characteristics has entered a new era. It is also a decade in which tax modernization has been moving forward. Over the past decade, the STA has resolutely implemented the decisions made by the CPC Central Committee and the State Council, taken into account the characteristics of tax authorities, and stuck to the basic working approach of “taking a panoramic view of tax work at a higher level, upholding the rule of law in taxation, deepening reform, and boosting staff morale”. The STA has constantly enriched and improved the overall target of tax modernization in the new era with the “six major systems” as the main task and the enhancement of the “six major capacities” as the strong support. The STA has explored and formed 15 working mechanisms in three major aspects including “effectively strengthening Party building, solidly performing tax responsibilities, and steadily optimizing personnel management”. The STA has established and improved more than 360 working regulations and crafted a series of working methods. As a result, the STA has successfully built a set of working systems for strengthening Party building, performing tax responsibilities and optimizing personnel management in the tax system. Relying on the working systems, tax authorities have overcome the difficulty of “two increases and two decreases”, i.e., the number of working tasks has increased while the number of offices has decreased, and the number of taxpayers and fee payers has greatly increased while the workforce has decreased. Thus, the STA has achieved the significant enhancement in the capacity to serve national governance and the significant enhancement of the quality and vitality of the tax staff team. With the perseverance to tackle all kinds of challenges, tax authorities have steadily promoted tax modernization in the new era to a new level, and made positive contributions to the Party and the country’s causes.

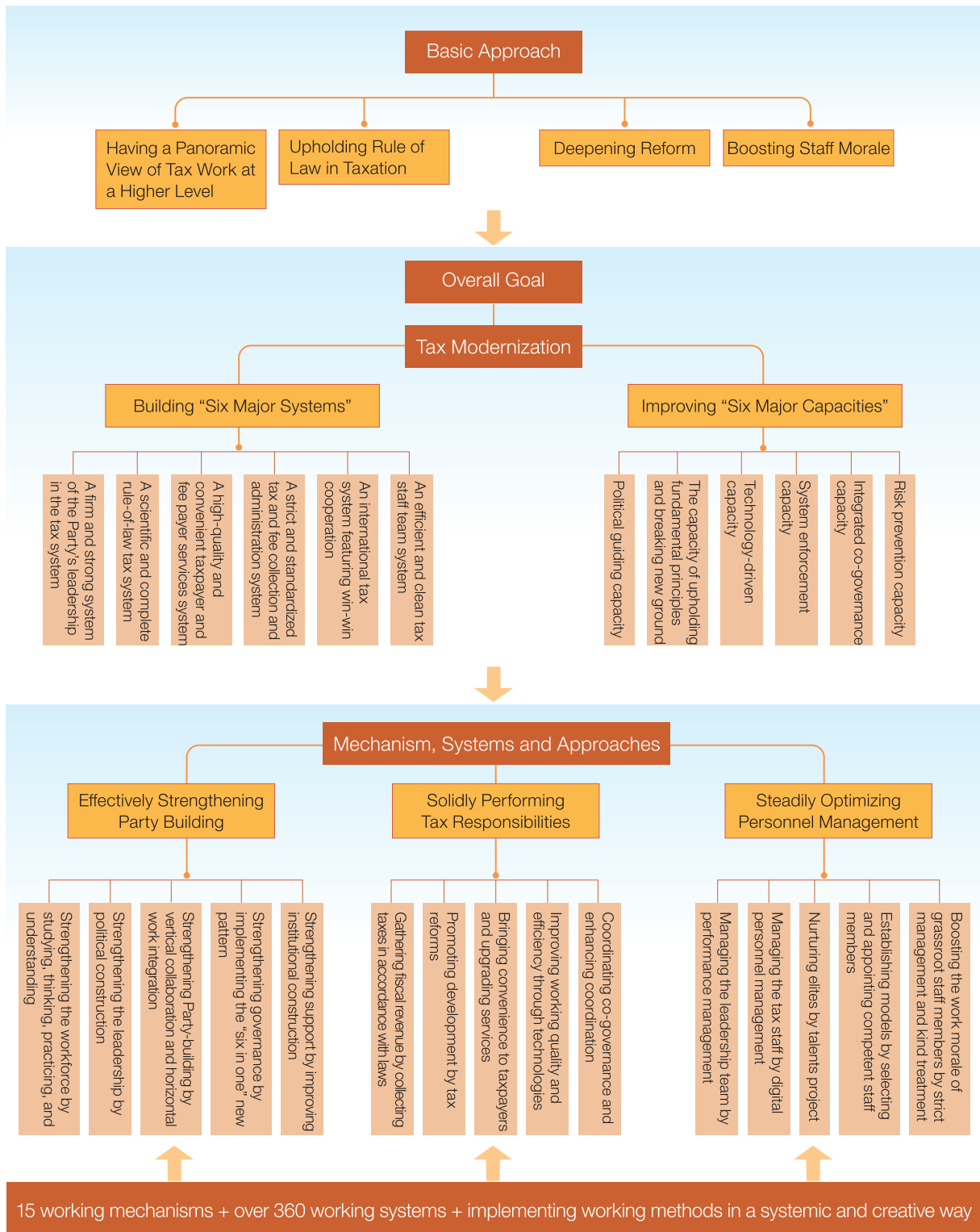


Figure 7 Working Systems for Strengthening Party Building, Performing Tax Responsibilities and Optimizing Personnel Management in the Tax System

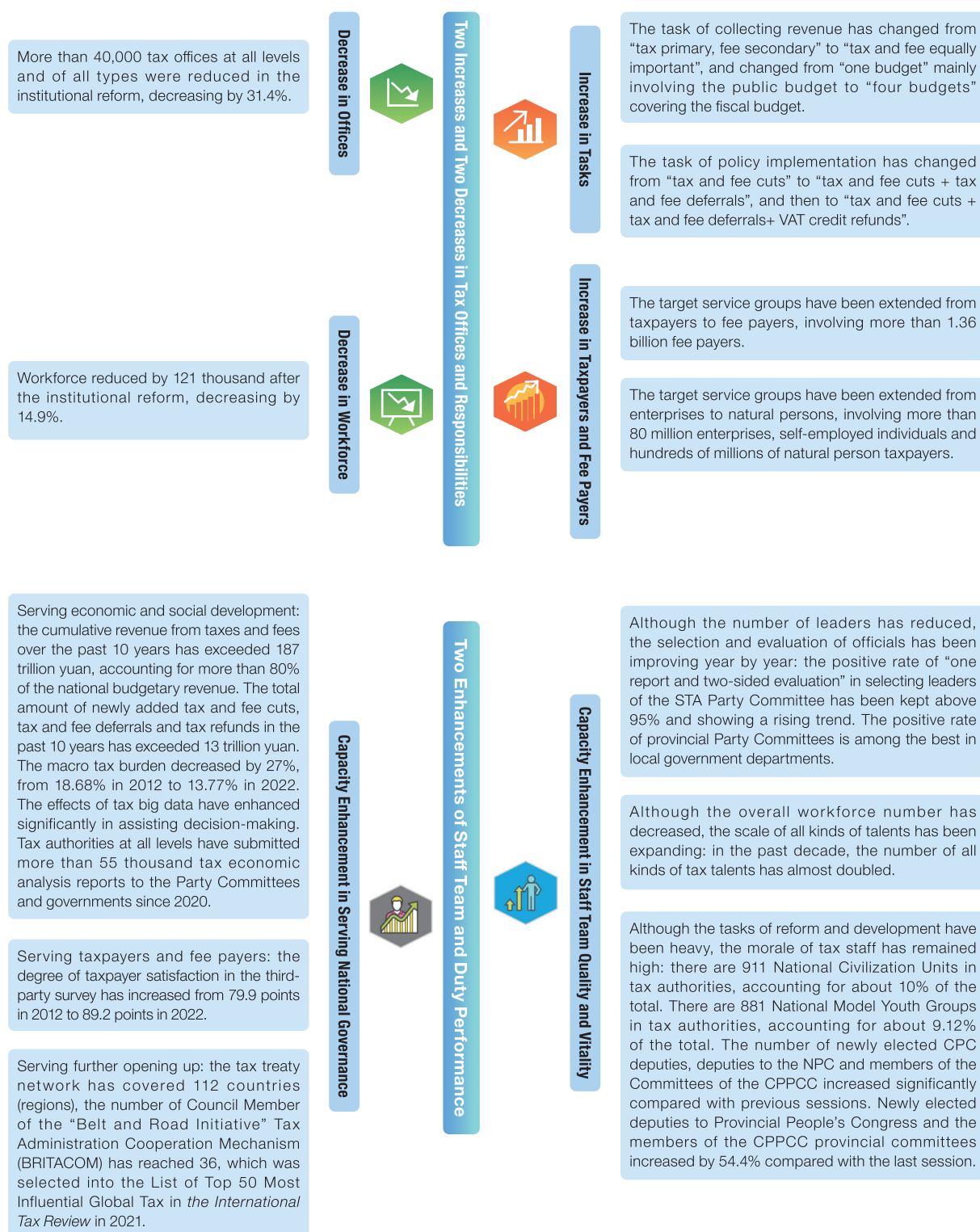


Figure 8 The Increases and Decreases in Tax Offices and Responsibilities and Summary of Achievements in Duty Performance in Recent Years

Comprehensively Strengthening the Party's Leadership of Taxation

The STA has resolutely implemented the decisions made by the CPC Central Committee. Studying and putting into practice Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era is taken as the primary political task and the mission of carrying out the spirit of General Secretary Xi Jinping's important speeches and statements is taken as the priority. The STA has constantly improved the closed-loop mechanism of "study and research, task assignment, implementation, performance tracking, supervision and ongoing deepening" to secure thorough implementation of all tasks. The STA has consistently improved the Party's leadership system in tax authorities. In 2018, the STA transformed the Party Group into Party Committee, setting up the Office of the

Party Committee, Organization Department of the Party Committee, Work Bureau of Party Building (Publicity Department of the Party Committee). Party Groups at all levels have also been transformed into Party Committees, with specialized agencies established to supplement the workforce in order to further strengthen the overall leadership of the Party of taxation. To address "dual leadership system lacking effective coordination" in the work of Party building, the STA has explored, established and continuously improved the mechanism of "Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration", fully creating the great synergy of upper and lower levels of tax authorities, and internal and external departments and strengthening Party building in tax authorities.

Achieving Historic Breakthroughs in Revenue Collection

While continuously expanding tax and fee cuts, the STA has always insisted on collecting taxes and fees in accordance with laws and regulations. The STA has not only managed to reach the budgetary revenue of taxes and fees for recent years, but also steadily improved the quality of the revenue, with cases of collecting "excessive taxes and fees" decreasing notably. At the same time, the STA has continued to promote the reform on assuming the responsibilities of collecting social security contributions and non-tax revenues and

has successfully completed the reform tasks. From 2013 to 2022, the annual tax revenue in China (without deductions for export tax rebates) has exceeded the 10 trillion yuan mark, the 15 trillion yuan mark and has reached a total of 140 trillion yuan in the past decade. The aggregate revenue reached almost 187 trillion yuan after adding the social security contributions and non-tax revenues, further highlighting the role of tax authorities in safeguarding national fiscal revenue.

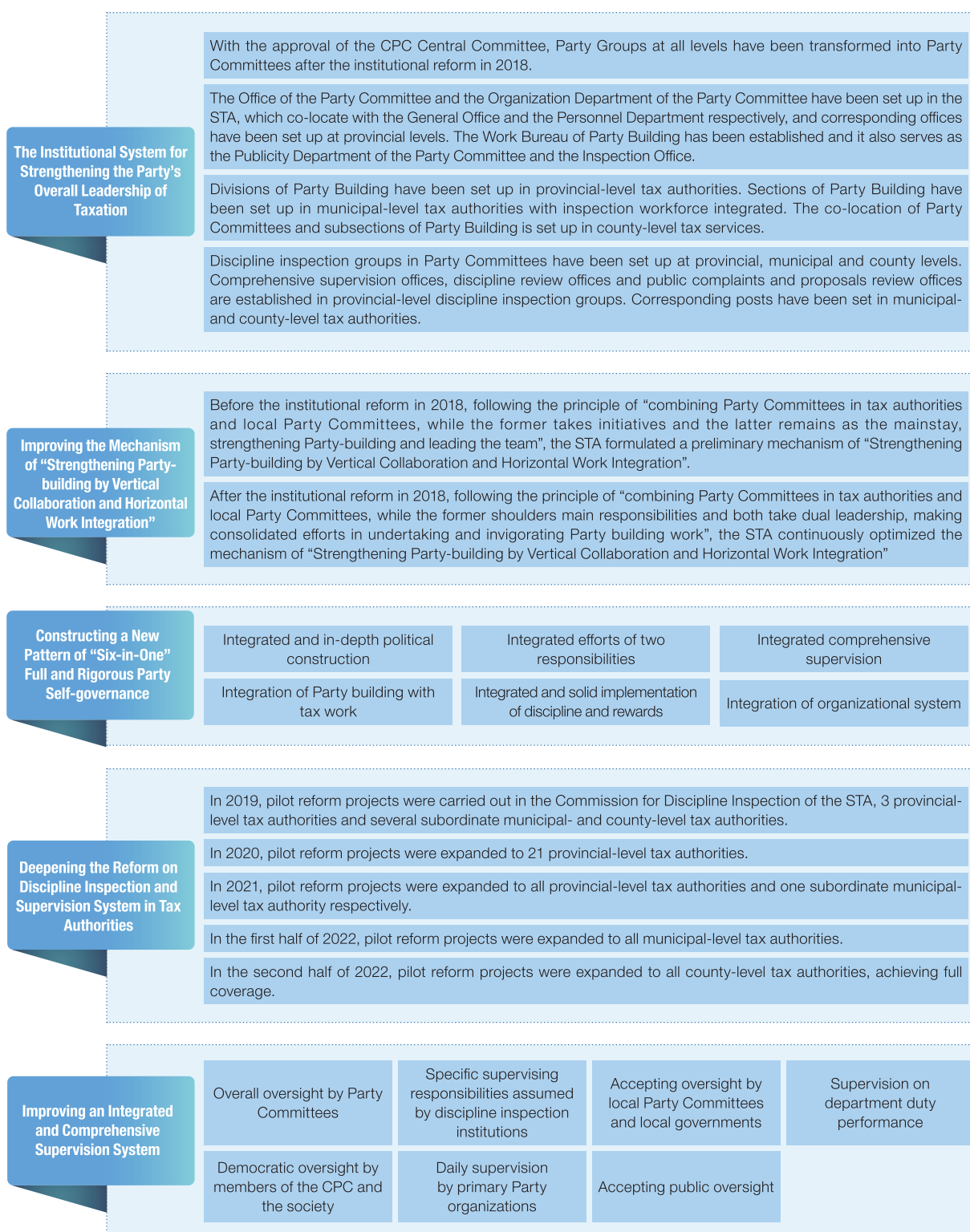


Figure 9 Implementation Situation of Strengthening the Party's Overall Leadership of Taxation and of Deepening Full and Rigorous Party Self-governance in Tax Authorities

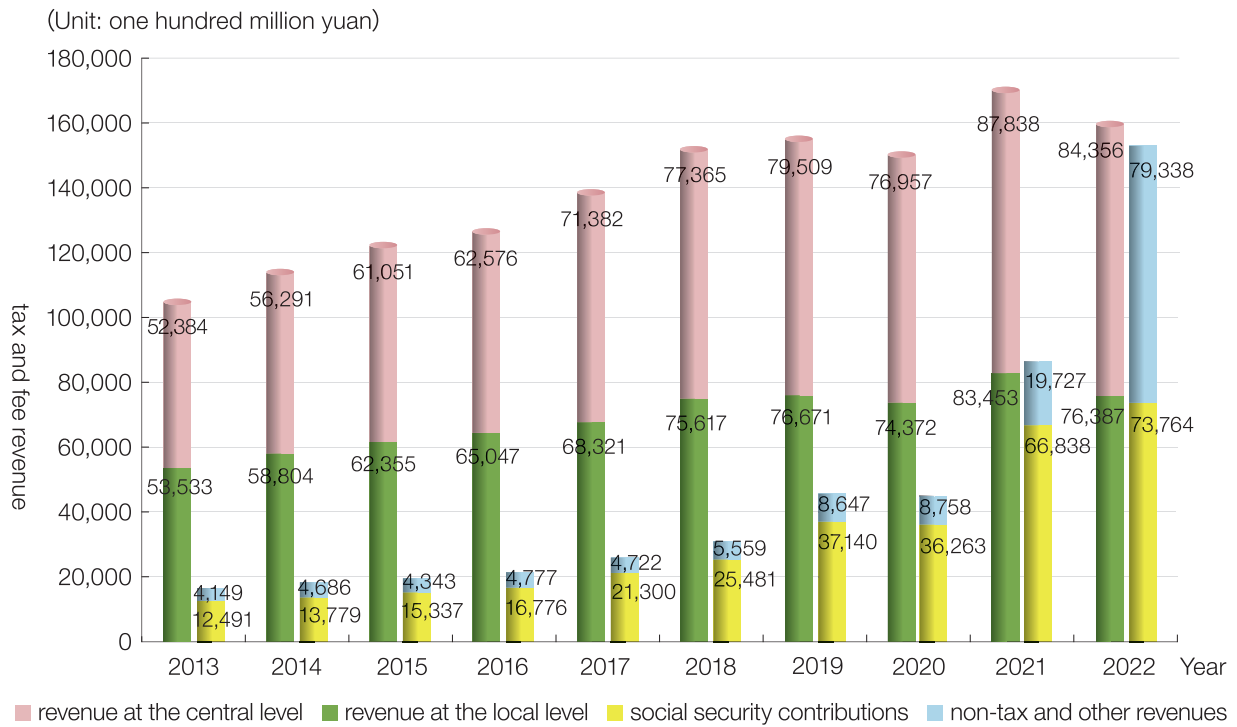


Figure 10 Taxes and Fees Collected by Tax Authorities Since the 18th CPC National Congress

Notes: From 2013 to 2022, the total tax and fee revenue reached 186.8 trillion yuan, with a tax revenue of 140.4 trillion yuan (excluding taxes collected by Customs on behalf of tax authorities, without deduction of export tax rebates. Revenue at the central level reached 71.0 trillion yuan and revenue at the local level reached 69.5 trillion yuan). Social security contributions reached 31.9 trillion yuan, and non-tax revenue and other revenues reached 14.5 trillion yuan. The tax revenue in 2022 decreased year on year, mainly due to a large scale of newly implemented tax cuts and VAT credit refunds.

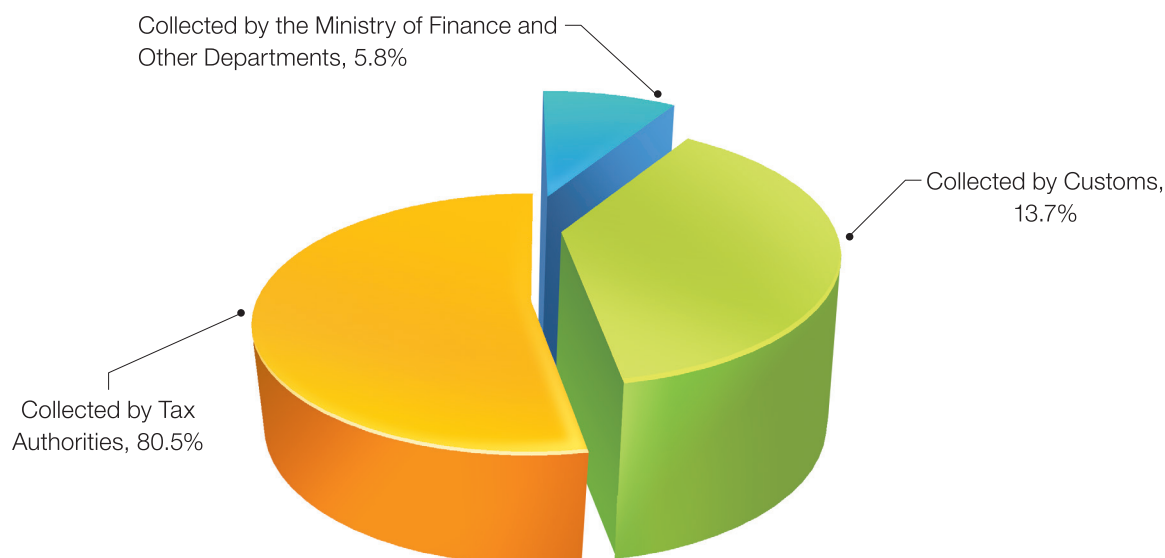


Figure 11 Revenue Collection Situation of the “Four Budgets” (2022)

Delivering Remarkable Results in Implementing Tax and Fee Cuts

The STA has fully leveraged big data to carry out in-depth analysis, calculation and research on the effects of preferential tax and fee policies and has proposed suggestions for optimizing and improving the policies from various perspectives so as to constantly provide policy support for high-quality development. The STA has resolutely shouldered the major responsibility of implementing policies, from carrying out “tax and fee cuts” to “tax and fee cuts + tax and fee deferrals” and then to “tax and fee cuts + tax and fee deferrals + VAT credit refunds”. The STA has overcome challenges in every round of policy implementation, such as tight schedule, complicated processes, heavy tasks and high requirements. The STA

has explored and implemented the “nine ones” working method featuring fast and direct access to policy benefits and the five-pronged strategy of “fast refunding, harshly cracking down on frauds, rigorous internal inspection, staying open to external supervision and continuous publicity”. These measures have creatively promoted policy implementation in a fast, accurate, steady and smooth manner, making positive contributions to maintaining the macroeconomic stability. General Secretary Xi Jinping has praised twice the tax and fee cuts work in his New Year addresses. From the year 2013 to 2022, the total amount of newly implemented tax and fee cuts, tax refunds and tax and fee deferrals exceeded 13 trillion yuan.

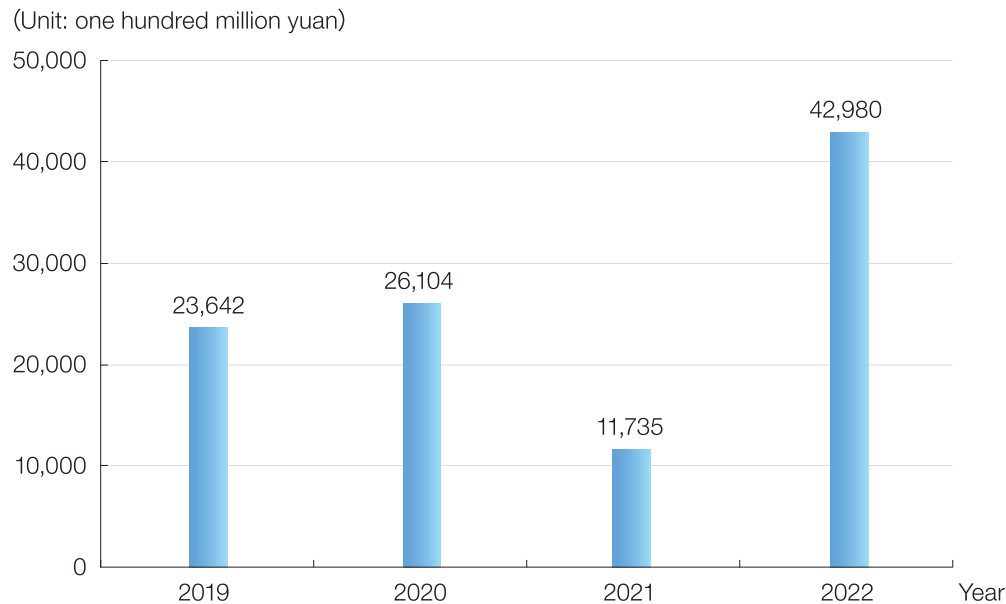


Figure 12 The Amount of Newly Implemented Tax and Fee Cuts, Tax Refunds, Tax and Fee Deferrals (2019-2022)

Basically Establishing a Modern Tax System

According to the deployments of CPC Central Committee and the State Council, the STA actively promoted the introduction of a batch of tax laws and regulations. Of the existing 18 kinds of taxes, 12 taxes have been legislated, and the legislation of 9 taxes was completed after the 18th CPC National Congress. *Draft of the Law of the People's Republic of China on Value-added Tax* has been open to the whole society for comments after deliberation by the Standing Committee of the NPC, symbolizing major achievements in legislation, amendment and abolishment of laws in taxation. Furthermore, the STA has made breakthroughs on a series of major tax reforms. The VAT reform has been

gradually and steadily implemented in multiple steps. An individual income tax system featuring a combination of a comprehensive approach and a scheduler approach reform involving the largest taxpayer group worldwide was safely implemented. In addition, individual income tax annual reconciliation for comprehensive income has been simpler and more convenient with the help of information technology, significantly easing the burden on taxpayers. And, the green tax system with multi-tax co-governance and multi-policy combination has been initially established, which would strongly promote “green development” in our economy.

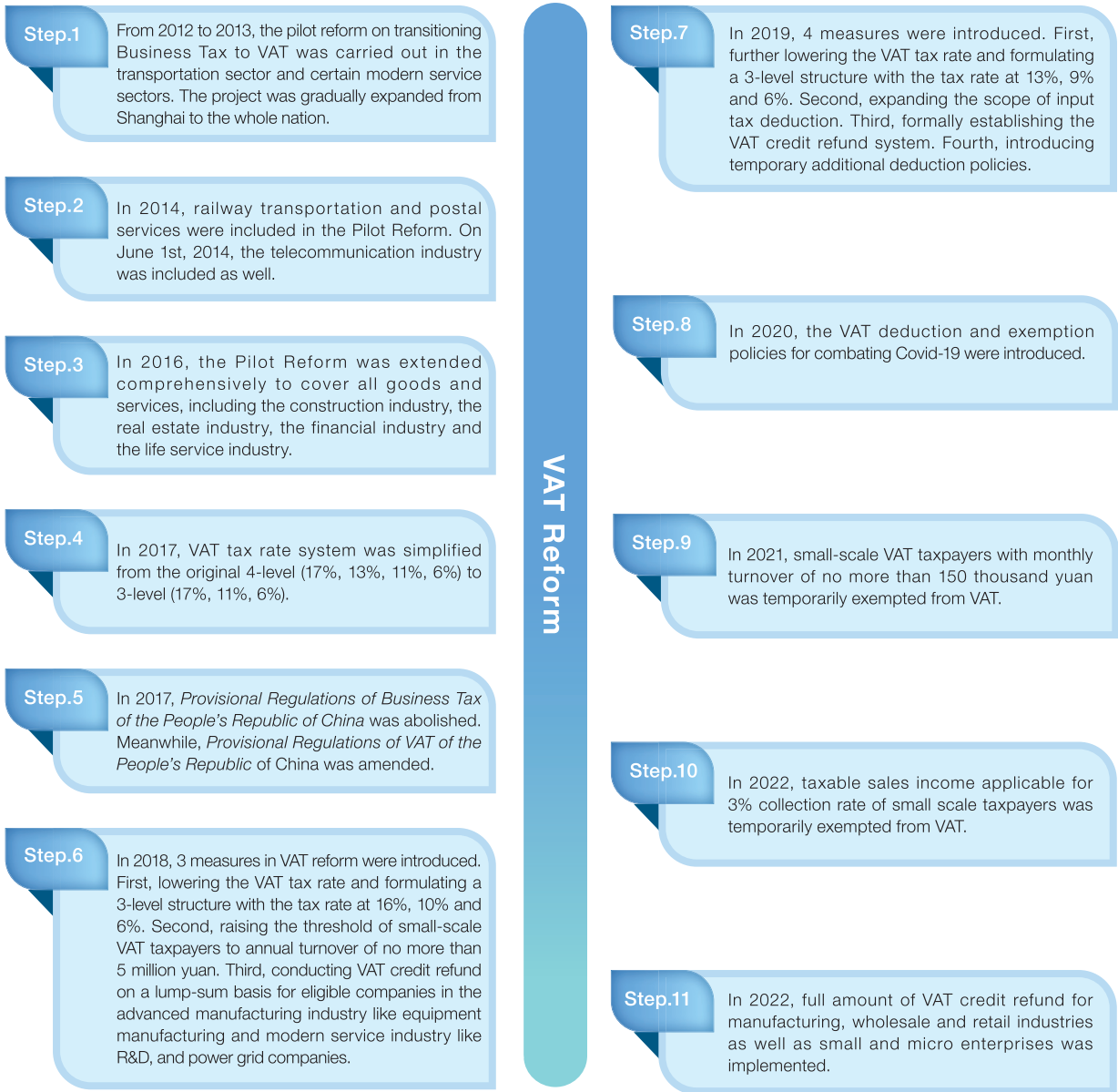


Figure13 VAT Reform Process

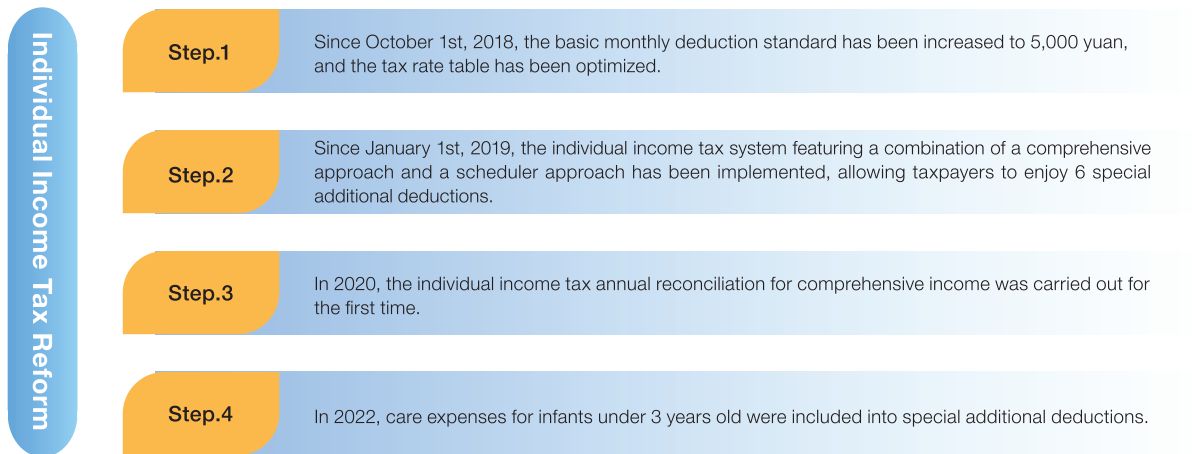


Figure 14 Individual Income Tax Reform

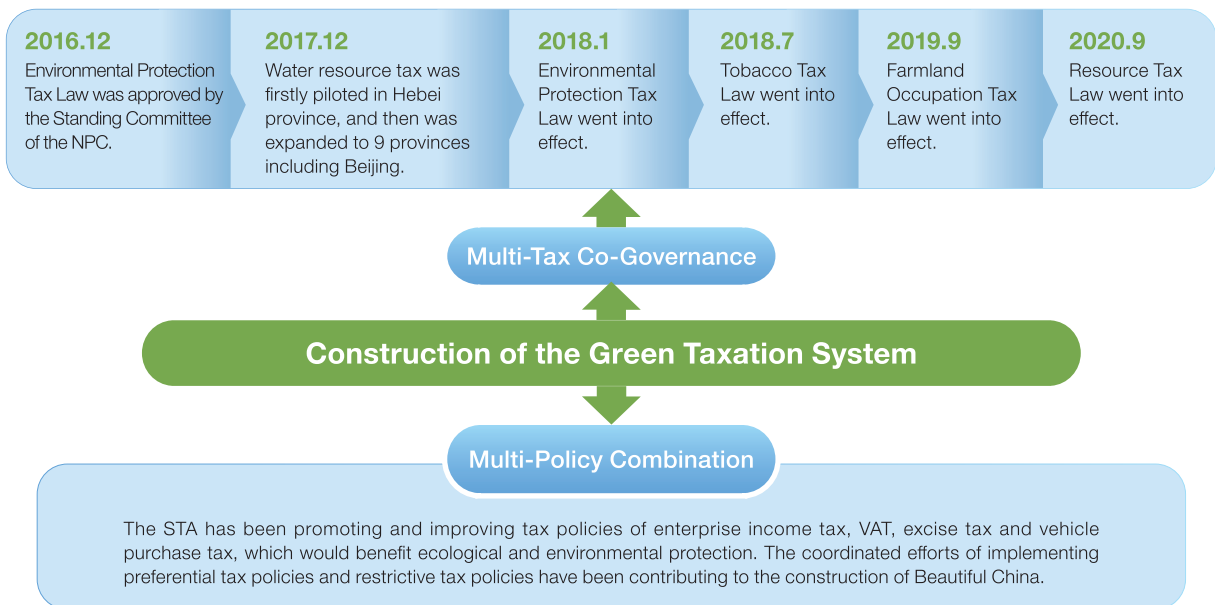


Figure 15 Construction of the Green Taxation System

Achieving a Leap Forward in Tax and Fee Administration Efficiency

The STA has been earnestly implementing the decisions made by the CPC Central Committee and the State Council on deepening the system and reform of tax collection and administration. In 2015, the STA focused on the taxpayer-oriented cooperation between the State Tax Offices and the Local Tax Offices, so that taxpayers could deal with any tax matters in both tax offices. In 2018, the STA focused on the tax staff-oriented integration and took the strategy of overall design, layered implementation, promoting with mechanisms, tackling difficulties with roadmaps, operating with templates, whole-process supervising and follow-up training. The STA made every effort to ensure the entire reform was completed quickly, steadily, smoothly, and with minimized impact, so that the integration of the State Tax Offices and the Local Tax Offices at and under provincial level was successfully implemented. And development was realized from “integration” to “slimming”, to “fitness” and then to “strengthening” in three years. Since 2021, the STA has been focusing on the future-oriented integration, striving to make full use of the multiplier effect of modern technologies and data empowerment, improving the in-depth and all-round transformation of taxation, promoting the systematic optimizing of

law enforcement, service and supervision, the holistic fusion of Party building, government and taxation affairs and the integrative synthesis of institutional norms, administrative procedures, information technologies and work responsibilities, so as to realize the chemical reaction in which the integration is the catalyst of success. Especially, the STA has proactively benchmarked to advanced ideas and successful experiences from OECD Forum on Tax Administration (FTA) 3.0 and other countries’ smart taxation constructions, aimed at building a domestically leading and world-class smart taxation featuring high integration, high safety and high efficiency. The STA has worked hard to promote tax collection and administration manners from “collecting tax” to “declaring tax” then to “auto-calculating tax”. The STA has strived to upgrade tax collection and administration procedures from “computer-based” to “internet-based” then to “cloud-based”. The STA has worked hard to advance tax collection and administration efficiency from “empirical administration” to “tax administration through invoices” then to “IT-based administration”. Through these processes, the STA has been continuously enhancing efficiency in tax and fee governance and in national governance.

STA's Major Achievements in the Past Decade of a New Era

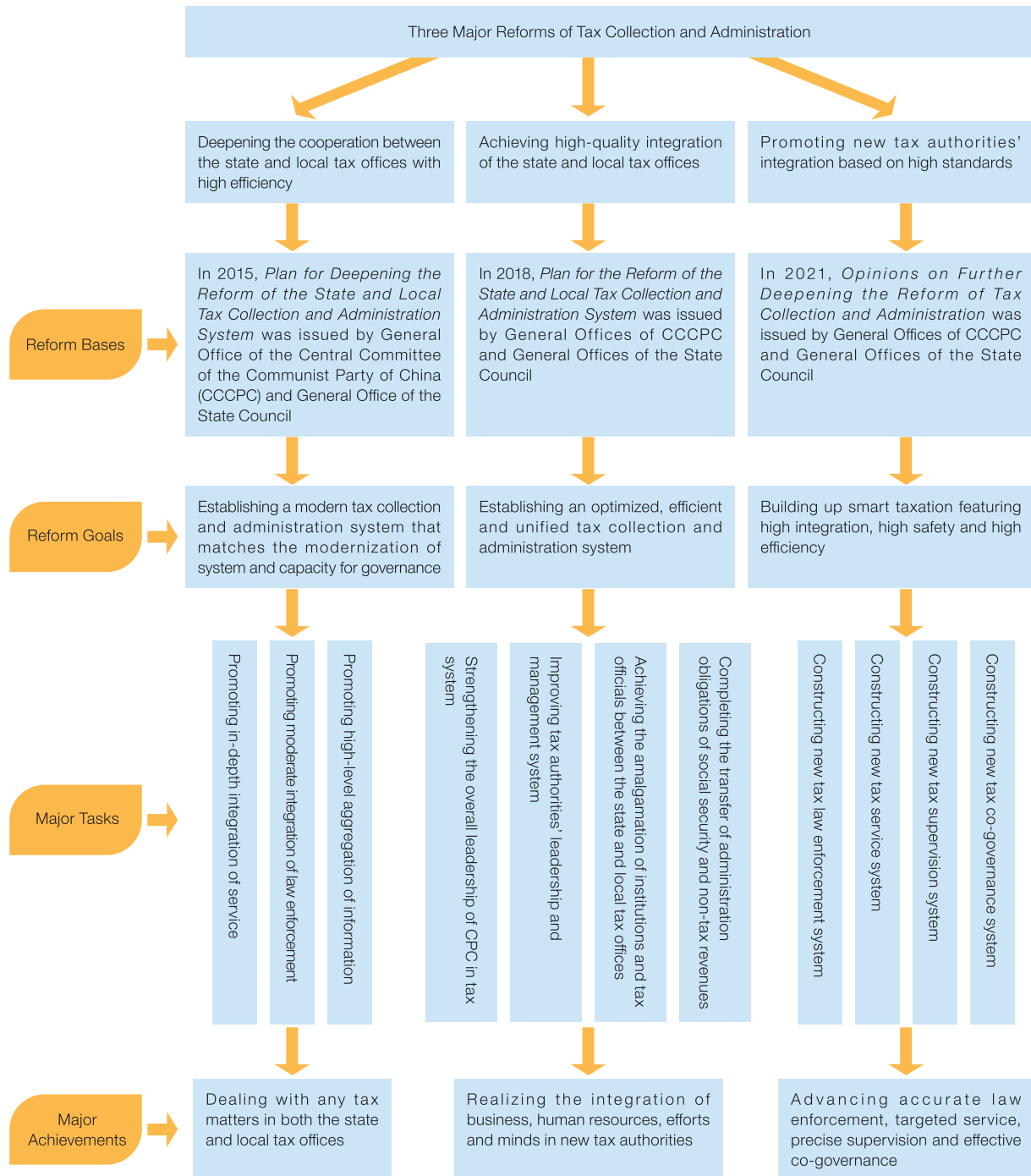


Figure 16 Achievements in Deepening Reforms of Tax Collection and Administration Since the 18th CPC National Congress

Advancing the Construction and Application of the Big Data System

The STA has comprehensively established and improved the tax and fee data governance system where “supply meets demand”, built the largest government affair data cloud platform in China. The system gathered more than 10 categories of data including tax and fee revenue which exceeded 10PB, realizing the leap-forward improvement of tax big data from “scattered” to “unified”, from “unified” to “integrated”, and from “integrated” to “flexible”. The STA has been deeply digging the “treasure trove” of tax big data and building a tax statistical indicator and standard system in accordance with the national statistical benchmarks and the tax practices. The STA sticks to product-oriented analyzing and has been studying and constructing a new

statistical analysis system. Closely following the national priorities and the leaders’ concerns, the STA has been introducing competitive analytical products. Tax analysis has grown out of nothing and developed from weak to strong. The analysis effectiveness has been significantly improved. The impact of products has been constantly expanded, contributing more and more to the high-quality development of the economy and society. Since 2020, tax authorities at all levels have presented a total of more than 55,000 analysis reports to party committees and governments at all levels. Many of the reports have obtained affirmative comments, and a considerable part has been transferred to relevant government departments for research and reference.

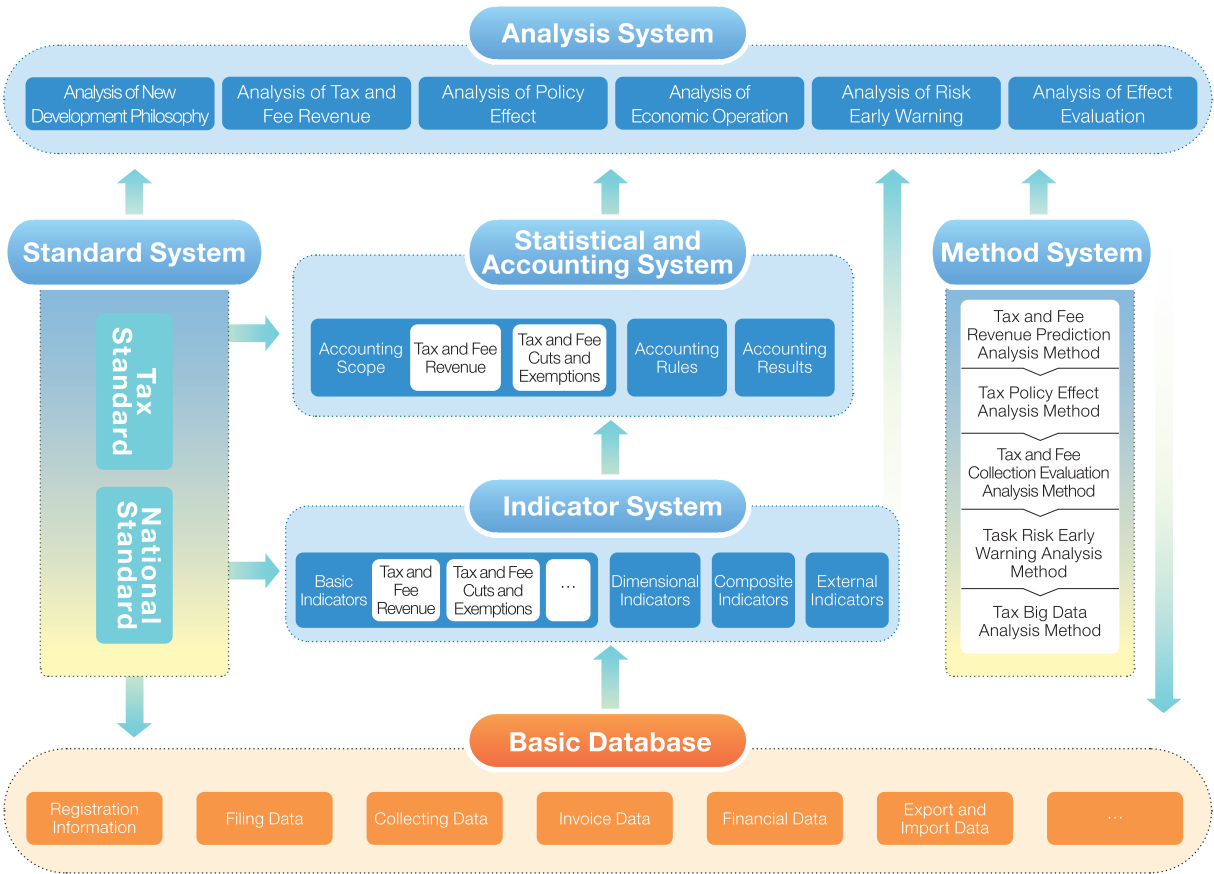


Figure 17 The Structure of a New Tax Statistical and Analysis System



Figure 18 Developing and Launching “National Taxpayer Supply-chain Search Function”

Constantly Improving the Tax Environment

Since 2014, the “Spring Breeze Project” has been carried out for nine consecutive years. The STA has launched 539 innovative service measures. And tax authorities at all levels have refined and rolled out more than 41,000 supporting measures. 96% of tax-related matters have been accessible online. The online declaration rate of taxpayers has stably remained at above 99%. Social security contributions could be settled both by internet and by APP. Taxpayer and fee payer services have transformed from an emphasis on offline channels to an emphasis on both online and offline

channels; from providing consulting policy service when asked to proactively distributing policy service; from general service to personalized service; from procedure-focused service to rights-and interests-focused service. Since November, 2020, tax authorities have adopted tax service evaluation system to accept feedback from taxpayers and fee payers. Despite that the number of cases in tax authorities far exceeded most other departments, the favorable rate of tax authorities has reached above 99% in 2021 and 2022, ranking among the best.

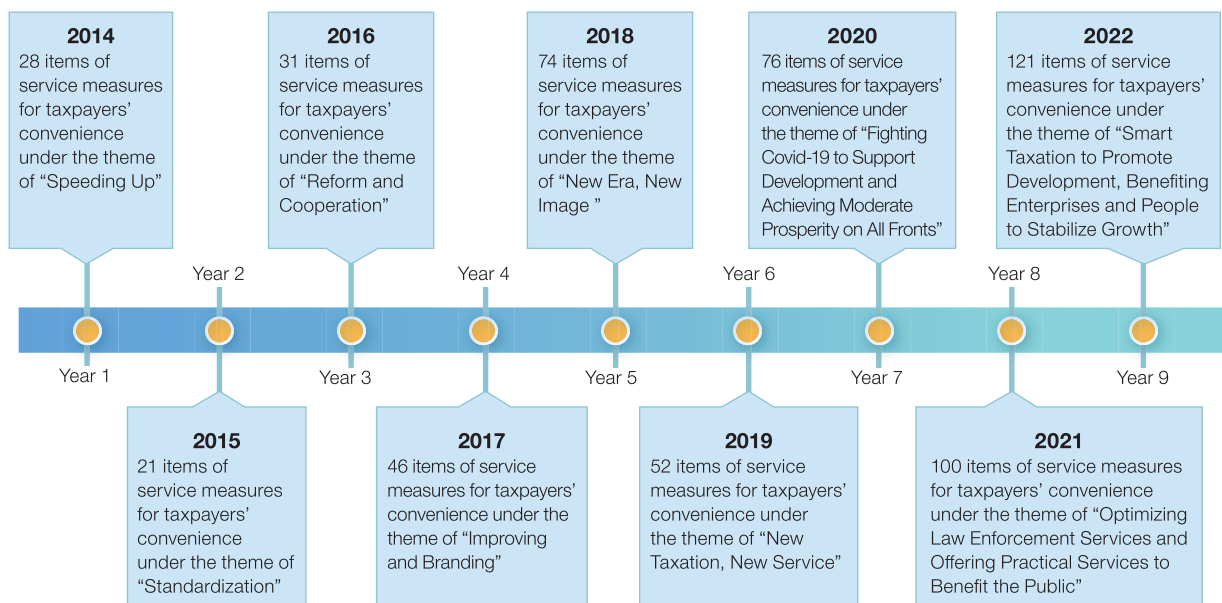


Figure 19 Conducting the “Spring Breeze Project” for Nine Consecutive Years

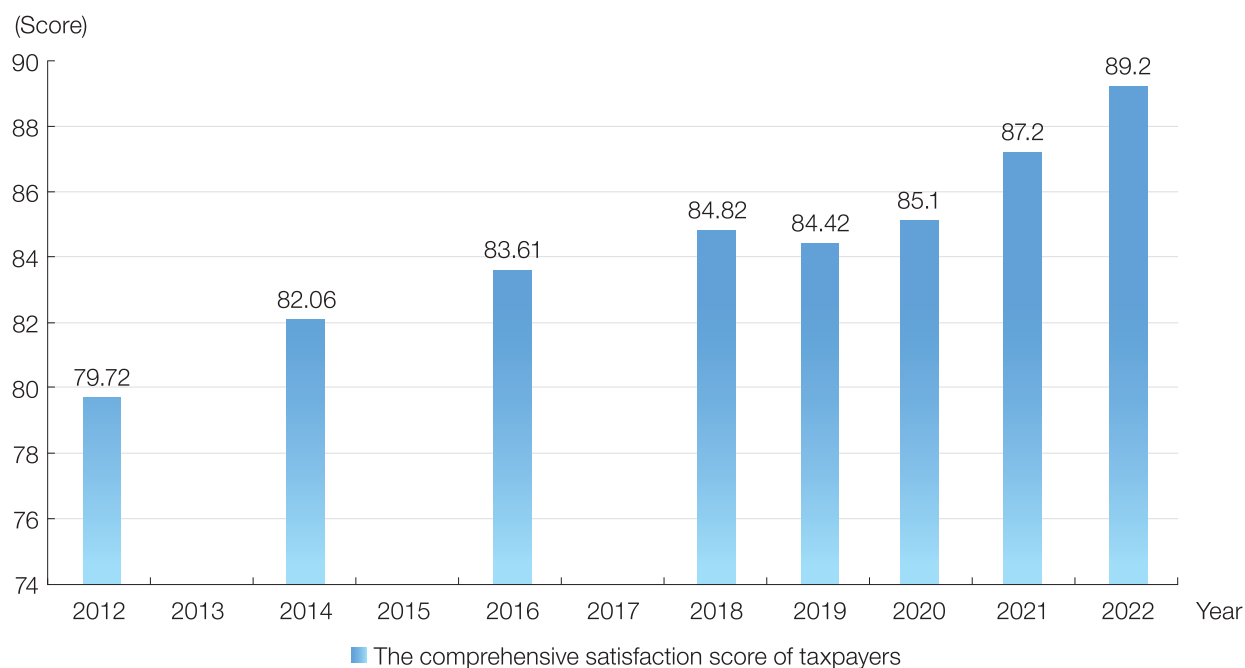


Figure 20 The Comprehensive Satisfaction Score of Taxpayers (2012-2022 Third Party Survey Results)

Comprehensively Enhancing Tax Law Enforcement and Tax Supervision

The STA has set up six Commissioners' Offices across China in two batches, further improved and optimized the operational mechanisms, and constantly promoted the cross-regional tax supervision system, which has effectively enhanced the ability of preventing and defusing tax risks, and greatly strengthened independence and deterrence of tax law enforcement. The STA has stuck to the bottom line thinking philosophy, firmly kept in mind risk awareness, valued safety throughout the whole process of all aspects of work and upgraded the prevention and control mechanism of major risks in tax work. An integrated modern tax risk prevention and control system with accurate identification, intelligent noticing, efficient response, and whole-process supervision has been established to achieve precise risk prevention and control, covering all tax and fee types and the whole life cycle. In particular,

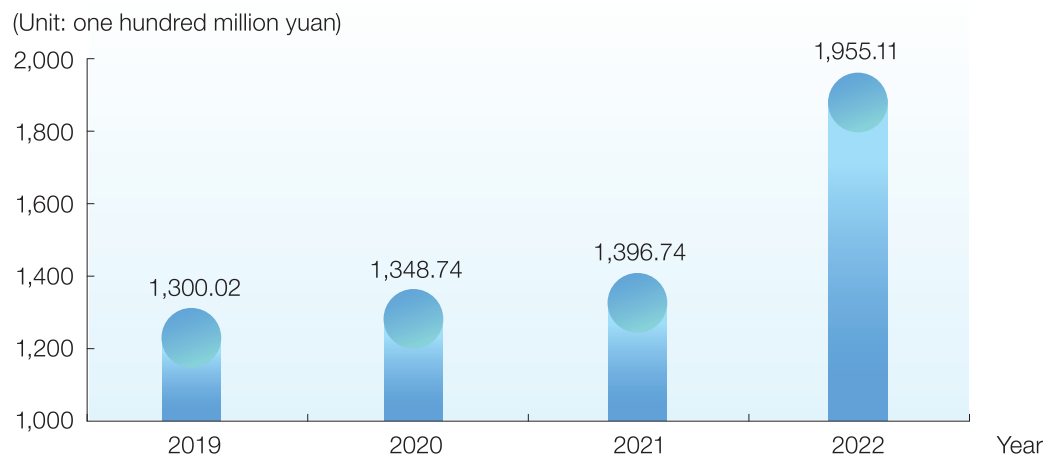
national tax security has been closely monitored to not only vigorously crack down on illegal tax evasions and tax dodging but also to avoid tensions in economic development. Continuous efforts have been made in the innovation of tax regulation ideas, philosophies and methods. Risk-oriented supervision featuring random selection and results publication has been strengthened. Dynamic "credit + risk" supervision has been explored and constructed. The STA has properly handled and defused all aspects of pressure and investigated and handled a series of major cases. Since August 2018, cooperating with the Ministry of Public Security, the General Administration of Customs and the People's Bank of China, the STA launched a special campaign to crack down on "fake enterprise", "fake export" and "fake filing", which was successfully concluded by the end of October 2021. A total of 440,000 enterprises

STA's Major Achievements in the Past Decade of a New Era

suspected of tax fraud were investigated and punished in accordance with the law. Tax losses of 90.9 billion yuan were recovered. 43,459 criminal suspects were arrested and 5,841 suspects turned themselves in to the police. With

the Supreme People's Procuratorate, the State Administration of Foreign Exchange, and the Supreme People's Court joining the campaign, the transformation from a centralized crackdown to a regular crackdown has been realized.

2019-2022 National Tax Repayment After Tax Auditing



2019-2022 National Tax Repayment After Tax Auditing per Entity and per Tax Auditor

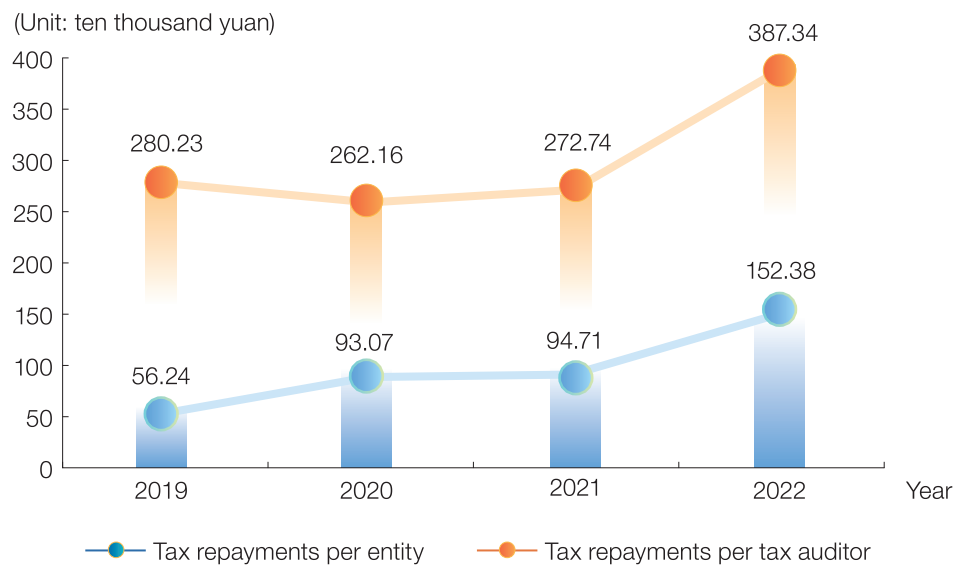


Figure 21 National Tax Auditing Situation (2019-2022)

Continuously Promoting International Exchanges and Cooperation

The STA promoted the expansion of China's tax treaty network which now covers 112 countries (regions). The STA led the establishment of BRITACOM, a multilateral tax cooperation platform, and hosted or assisted in hosting 3 cooperation forums (BRITACOF). The Belt and Road Initiative Tax Administration Capacity Enhancement Group (BRITACEG) was established and its curriculum system was released to the world. 5 Belt and Road Initiative Tax Academies were built in China and other countries (regions), which provided training courses focusing on digitalization of tax collection and administration for

more than 3,000 tax officials from more than 100 countries (regions). BRITACOM, with its Council Members reaching 36 and the Observers reaching 30 by the end of 2022, had larger influence and was successfully selected into the list of "2021-2022 Top 50 of Global Tax" by the international authoritative tax journal *International Tax Review*. The STA sent more than 110 tax staff to Chinese embassies and consulates stationed abroad, international organizations and foreign universities, which advanced the exchanges and training of international tax talents.



The First BRITACOF was Held in Wuzhen, Zhejiang Province in 2019

Steadily Cultivating a Loyal and Dedicated Workforce with Integrity

The STA resolutely cultivates a strict atmosphere, continues to build and improve the system for exercising full and rigorous Party self-governance in the tax system, perseveres to improve conduct, enforce discipline, and combat corruption, and guides tax staff to hold discipline in awe and respect and do not cross the line. The application of performance management and digital personnel management in the assessment and evaluation of tax staff has been continuously deepened and improved, so that performance management could work as a “baton” to guide the leadership team and promote policy implementation and digital personnel management could become a “propeller” to manage and motivate tax staff. 11 versions of performance management have been iteratively upgraded, and the incentive-oriented working philosophy has been gradually consolidated. In 2018, the World Bank introduced the performance management experiences of Chinese tax authorities to the world as one of the ten typical cases. The digital personnel management was recognized by relevant departments in the central government and leaders at local Party committees and governments. In *Tax Administration* published by OECD in 2019 and 2022, the digital personnel management was recommended as a successful case twice.

The STA, sticking to the principle of selecting and

appointing officials in a fair, impartial and scientific manner, has formed and gradually improved a set of selecting and appointing mechanisms that were conducive to identifying outstanding tax staff from the perspective of benefiting the career development and the personal growth of tax staff. By vigorously implementing the strategy of “Reinvigorating Tax Through Talents”, the STA gradually formed a large-scale and high-quality tax talents team. In the past decade, the proportion of postgraduates among serving tax staff has increased from 3.9% to 8.5%, and the number of staff with the all three qualifications of Certified Public Accountant (CPA), Chinese Certified Tax Agent (CCTA) and China’s Legal Profession Qualification has increased by 50.7%. The number of all kinds of tax talents has nearly tripled, and the proportion of the total number of talents has increased significantly. The STA actively selects role models, continues to strengthen foundations at the primary level, and creates a positive, kind and friendly atmosphere. Since 2013, in the tax system, a total of 30 groups and 81 individuals have received national awards. 4,789 groups and 3,288 individuals have received provincial and ministerial level awards or above. By the end of 2022, the tax system had 911 National Civilization Units, accounting for about 10% of the national total, and 881 National Model Youth Groups, accounting for 9.12% of the total, ranking among the best in various sectors.

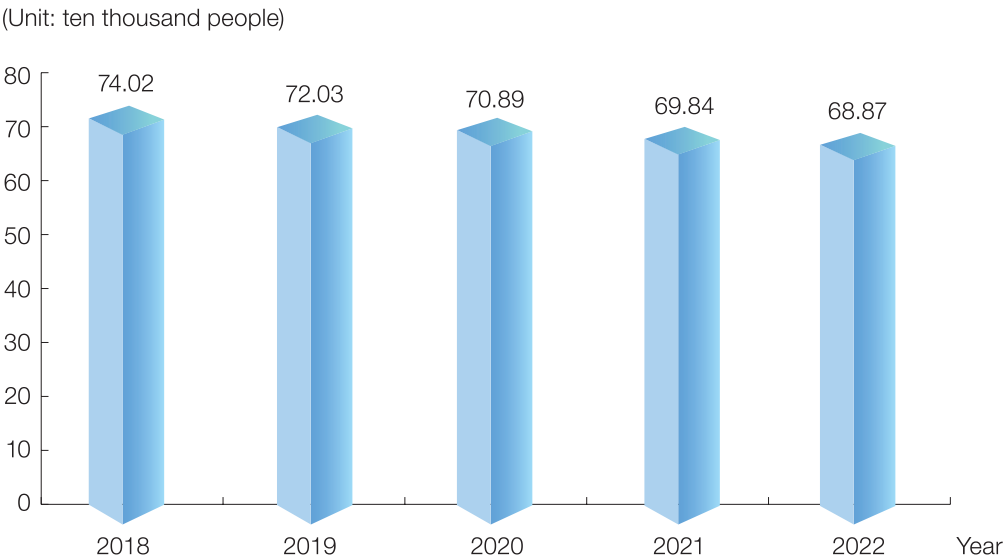


Figure 22 Changes in the Number of Serving Staff in the Tax System (2018-2022)

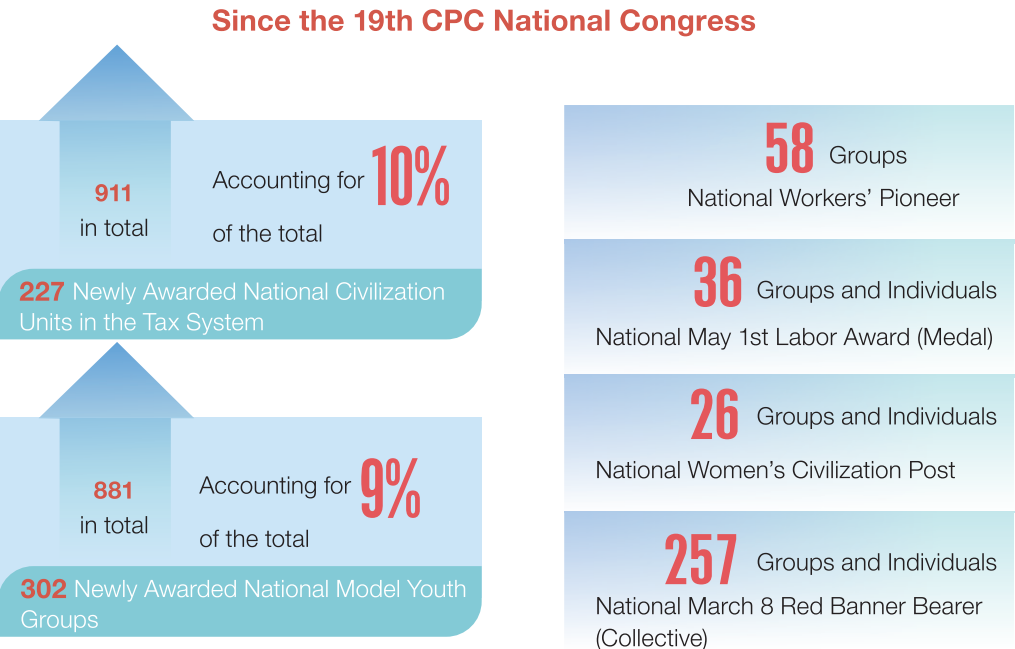


Figure 23 Awards in the Tax System Since the 19th CPC National Congress

Column 13

Performance Management

The STA thoroughly studied and implemented the spirit of General Secretary Xi Jinping's important instructions on optimizing the whole-process closed-loop management procedure. Since 2014, the mechanism of "leadership team assuming the responsibility of performance management" was implemented across the tax system, featuring "horizontal managing staff at all departments, vertical managing staff at all levels, assuming responsibility to staff at all posts, and assigning tasks to every staff member". By taking into account tax practices, a closed loop of "strategy-objective-implementation-evaluation-reward&punishment-improvement" was established and gradually improved. At the beginning of each year, the STA would scientifically formulate the systems of performance indicators, which integrated all the decisions, deployments and key annual tasks of the CPC Central Committee and the State Council in tax work. The performance management result was applied in-depth

so that personal results were linked to the organizational performances of their tax offices, the departments in charge, and relevant subordinate units. The performance evaluation results were also effectively linked to the appointment of tax officials, award-giving, and annual assessments of civil servants. The results were also linked to leadership personnel changes and the implementation of the civil servant's position and rank parallelism policy. The performance management mechanism was fully leveraged to enhance leadership at all levels, especially the chief leader in each tax authorities, and to advance the top-down management and implementation. By the end of 2022, 10 versions of performance management have been iteratively upgraded, and the incentive-oriented working philosophy has been gradually consolidated. In 2018, the World Bank introduced the performance management experiences of Chinese tax authorities to the world as one of the ten typical cases.

Column 14

Digital Personnel Management

Digital personnel management is a digital assessment and evaluation management system established by the STA under the guidance of General Secretary Xi Jinping's important statements on strengthening official assessment,

which was designed in accordance with the central government's regulations on official evaluation and daily management systems, used big data philosophy and methods, and insisted on continuous improvement. Its core essence is

to transform the current system of evaluation and daily management of staff based on “work” into evaluation and management indicators that are quantified and aggregated according to “people (posts)”. Efforts were spent on building a system consisting of four major pillars including daily evaluation, colleague evaluation, professional capacity evaluation and leadership competency evaluation, and “personal growth accounts” covering seven aspects including “morality, capacity, diligence, performance, integrity, evaluation, and fundamentals”. Thus, a scientific, daily, multi-dimensional, data-based, cumulative, and comparable staff evaluation management system and mechanism has been formed, which could encourage tax staff to improve themselves

and be kind. The systemic design of Digital Personnel Management began in 2014, and was fully implemented in July 2019 after 8 rounds of expanded pilots, 6 rounds of systemic revisions, and 4 rounds of software upgrades. A relatively stable and fixed “1 + 9” system was established in early 2022, which was recognized by relevant departments in the central government and leaders in local Party committees and governments. The Digital Personnel Management also attracted the attention of international organizations and foreign tax colleagues. In *Tax Administration* published by OECD in 2019 and 2022, the Digital Personnel Management was recommended as a successful case twice.

STA's Development Strategy in 2023

- ◆ General Approach
- ◆ Tasks

General Approach

In order to gain a head start in tax modernization and solidly carry out tasks in all lines of tax work in 2023, the key is to have a panoramic view of tax work at a higher level, and bring into play, expand and elevate tax functions in a more effective, orderly manner. The STA will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully implement the spirit of the 20th CPC National Congress. The STA will apprehend in-depth the decisive significance of establishing Xi Jinping's core position on the CPC Central Committee, and in the Party as a whole, and establishing the guiding role of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. The STA will strengthen consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment with the central Party leadership. The STA will enhance confidence in the Socialist path, theories, system and culture of socialism with Chinese characteristics. The STA will uphold comrade Xi Jinping's core position on the CPC Central Committee and in the Party as a whole and uphold the Central Committee's authority and its centralized, unified leadership. In accordance with the deployments of the Central Economic Work Conference and the "Two Sessions", the STA will adhere to the principle that the Party has overall leadership of tax work, deepen full and rigorous Party self-governance in tax authorities, make efforts to build a politically strong taxation administration and take the lead in future development. The STA will think in big-picture terms, promote all lines of tax work in a solid and steady way, effectively respond to and resolve all kinds of risks and hidden dangers, provide better services to stabilize growth, employment and prices and help the economy and the society to run smoothly and healthily. The STA will perform our duties and responsibilities on the basis of upholding fundamental principles. The

STA will expand and enhance our abilities on the basis of innovation. The STA will adhere to the system of "basic approach + overall target" and "mechanism + system + method" that have been developed and explored over recent years and continuously improve them in future practices with a reforming and innovative mind, so as to promote development and improvement through innovation. In particular, more attention should be paid to strengthening the tax culture and elevating the tax spirit so as to forge a more lasting foundation and form stronger advantages for tax modernization. The STA will actively adapt to the new requirements for serving Chinese-style modernization, better play tax authorities' roles, put forward more proposals which are in line with the reality and are more likely to show positive effects, launch more practical and effective measures and seek better, real and more efficient results. Thus, we can better serve decision making for the Chinese government, better serve local economic and social development and better serve the vast number of taxpayers, fee payers and tax staff team. The STA will further strengthen coordination among various levels of government, departments and functional entities. The STA will increase connectivity between various mechanisms, systems, measures and methods. The STA will promote integration of various systems, data and resource allocation. The STA will enrich our work strategy in an all-round manner and continuously improve, optimize, and upgrade it. We will pursue synergy internally and co-governance externally and we hope coordination can be made in our work and cooperation can be made between our staff. The STA will promote linkage and integration of all elements of tax governance, and the expansion and enhancement of tax functions, thereby continuously upgrading the smart taxation system, nurturing the tax spirit, enriching the tax culture and writing a new chapter of tax modernization.

Tasks

Thoroughly study, publicize and implement the spirit of the 20th CPC National Congress.

In the taxation system, the STA will carry out in-depth learning of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, educate the spirit of the 20th CPC National Congress to tax staff on all levels and in all categories, apply the spirit of the 20th CPC National Congress to work in the taxation system. The STA will continue to optimize and improve the mechanism system of “Strengthening Party-building by Vertical Collaboration and Horizontal Work Integration”. The STA will further integrate Party-building with taxation work. The STA will continue to deepen Party-building in tax authorities and effectively implement General Secretary Xi Jinping’s important statements and instructions on tax work.

Unwaveringly deepen full and rigorous Party self-governance in tax authorities.

The STA will improve the system of deepening full and rigorous Party self-governance in tax authorities and further improve the new “six-in-one” pattern of deepening full and rigorous Party self-governance in tax authorities. The STA will also shoulder the political responsibility to manage and govern the Party and nurture a strict political atmosphere. The STA will consolidate and deepen the reform on the discipline inspection and supervision system and improve the construction of an integrated and comprehensive supervision system. The STA will always maintain the attitude of zero tolerance against corruption and strict punishment against corruption. The STA will further strengthen supervision, discipline and accountability to see that officials do not have the audacity, opportunity or desire to be corrupt. In all, the STA will continue to send a strong signal of discipline and anti-corruption.

Collect taxes and fees in accordance with

laws and regulations. The STA will scientifically research the tax and fee revenue situation and set up scientific and reasonable budget targets. The STA will strengthen tax and fee revenue analysis, continue to analyze the causes behind changes in the growth and decline of economic tax sources. The STA will strengthen the monitoring of the quality of tax and fee revenue. The STA will impose harsh punishments for any violation of the revenue discipline or the levying of “excessive taxes and fees”.

Research, improve and implement in detail tax- and fee- related supporting policies.

The STA will actively participate in policy research and formulation, make timely research and propose optimized policy suggestion from a higher level, a broader dimension and a wider perspective. The STA will apply the five-pronged strategy of “fast refunding, harshly cracking down on frauds, rigorous internal inspection, staying open to external supervision, and continuous publicity” to the implementation of major tax policies, such as export tax refund, additional deduction for R&D expenses and land VAT management. The STA will perform solidly in statistical accounting of supporting policies for tax and fee and in communicating supporting policies to taxpayers and fee payers.

Actively and steadily carry out work relating to social security contributions and non-tax revenues.

The STA will further strengthen departmental coordination and cooperation and build a comprehensive working pattern that “put emphasis on both taxes and fees”. The STA will adhere to the principle of seeking progress while ensuring stability. The STA will cooperate with other departments on work including national coordination of basic pension insurance for enterprise employees and the pilot project of

occupational injury protection for employees in emerging industries. The STA will actively promote the legalization of non-tax revenue management, push forward the classification and management of non-tax revenue, strengthen the risk prevention and control of non-tax revenues collection and administration, and continue to lay a solid foundation for non-tax revenue collection and administration. The STA will strengthen coordinated analysis of taxes and fees to better serve national governance.

Further deepen tax collection and administration reform and strengthen tax supervision. Significant breakthroughs have been made in implementing in-depth the *Opinions on Further Deepening the Reform of Tax Collection and Administration*. The STA will steadily advance the construction of a big data system for taxation, gradually promote a unified, standardized and nation-wide E-tax bureau, explore and innovate tax and fee services which are digitized, intelligent and scenario-based. The STA will improve the “Credit + Risk” new supervision mechanism to prevent tax evasion with the most stringent standards and to avoid affecting the operation and production of enterprises.

Strengthen international tax exchanges and

cooperation. The STA will further deepen international tax exchange and cooperation and further deepen the Belt and Road Initiative Tax Administration Cooperation Mechanism. The STA will participate in the formulation of international tax rules in-depth and firmly safeguard national tax rights and interests. The STA will focus on both “going global” and “bringing in”, enhance the level of international tax services and better serve high level opening up.

Make efforts to cultivate a high-quality workforce to shoulder the important responsibility of tax development. The STA will implement in-depth the *2019-2023 Outline of the Communist Party of China and the Chinese Government Leadership Team Building Plan*, strengthen leadership team building, stick to the standards of a good tax staff in the new era and perform solidly in selecting and appointing officials. The STA will continue to improve the classification and cultivation model of all sorts of tax talents, such as strategic talents, leading talents, tax professional talents and young talents, and solidly practice the “2271” capacity enhancement project. The STA will implement in-depth performance management and digital personnel, vigorously cultivate China’s tax culture, further stimulate the vitality of tax staff and unremittingly revitalize the spirit of tax staff.

Appendix

- ◆ **Organizational Structure**
- ◆ **Tax and Fee System**
- ◆ **Tax Treaty and Exchange of Information Network**

Organizational Structure

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 Thirteenth 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. This integration generates 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 the State Taxation Administration (STA)

The leadership of the State Taxation Administration is currently composed of one Commissioner, four Deputy Commissioners, one Chief Inspector of the Discipline Inspection and Supervision Office within the STA, one Chief Economist, one Chief Accountant and one Chief Auditor.

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.

The STA consists of sixteen Functional Departments, STA Headquarter Committee of CPC and Retired Officials Bureau, nine Public Institutions directly under the STA (among them there are 3 public institutions governed analogically by the Civil Servant Law, namely, Education Center, E-Tax Management Center and Procurement Center), one institution(entity) directly under the STA, 7 branches and 3 tax associations.

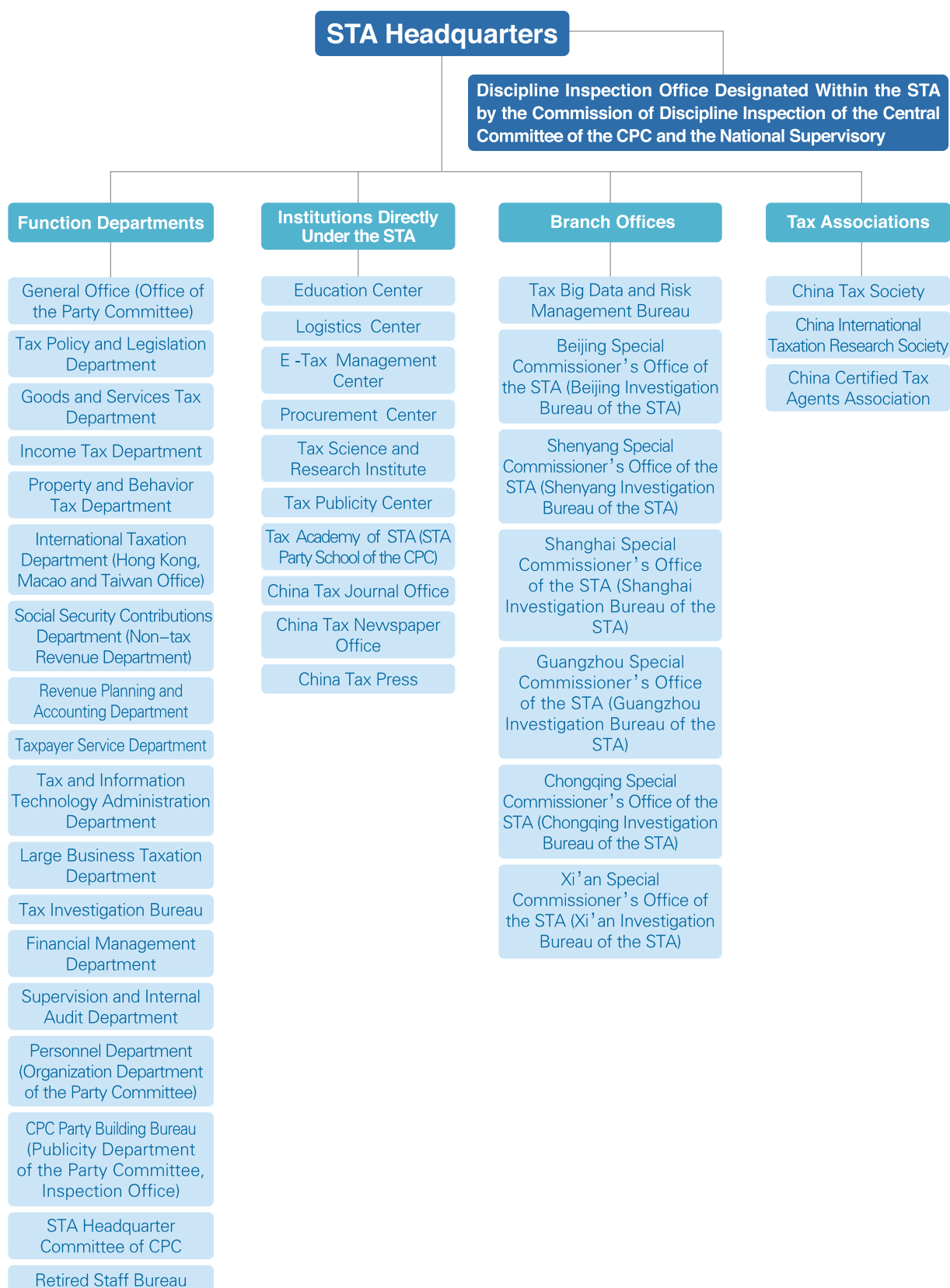


Figure 24 Organizational Structure of the STA

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 administering taxes, social security and non-tax revenue to ensure collection of the due amount of taxes and fees.
- 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; fulfilling the obligation to provide convenient, high-quality and efficient tax services; organizing and implementing tax publicity; formulating management policies for tax advisers and supervise the implementation.
- Implementing classified management and professional service for taxpayers; implementing taxpayer service and tax sources management for large businesses.
- Undertaking the responsibility of drafting mid- and long-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 digitization system of tax administration; drafting mid- and long-term plans on construction for digitization 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 Chinese government.

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. Under county level tax service, there are branches of tax service and tax offices. At present, there are 36 Tax services of provinces (including autonomous

regions, municipalities directly under the central government, cities specifically designated in the state plan), 10 Tax services of sub-provincial cities, 522 Municipal level tax services and 3,177 County level tax services.

Table 5 Organizational Structure of Tax Services at the Provincial Level and Below (2022)

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
Municipal level tax services	522
County level tax services	3,177

**Figure 25 Organizational Structure of Tax Authorities**

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 mid- and long-term plans 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 insurance fees 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 Chinese government 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 official 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 provincial-level 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 taxpayers and individuals; undertaking the responsibilities of various tax collection and administration, social security and related non-tax revenue collection and administration within its jurisdiction.

Tax and Fee System

China's current tax framework was put in place after the tax-sharing fiscal 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.

Major Changes in China's Tax System (From 1994 to 2022)

- In 1994** ◆ Tax categories such as Fair Trade Tax, Domestic Animal Trade Tax, Special Tax on Enterprises That Use Petroleum as Their Principal Fuel, Bonus Tax and Wage Adjustment Tax were canceled.
- In 1997** ◆ The State Council issued the *Interim Regulation of the People's Republic of China on Deed Tax* on July 7th which came into force on October 1st that year.
- In 1999** ◆ August 30th, *Individual Income Tax Law of the People's Republic of China* was revised in the 11th session of the Standing Committee of the Ninth National People's Congress.
- In 2000** ◆ The collection of Fixed Assets Investment Regulation Tax was ceased. On October 22nd, the State Council issued the *Interim Regulation on the Vehicle Acquisition Tax of the People's Republic of China* which came into force since January 1st, 2001.
- In 2003** ◆ On November 23rd, the State Council issued the *Regulations of the People's Republic of China on Import and Export Duties* which came into force since January 1st, 2004.
- In 2005** ◆ On October 27th, *Individual Income Tax Law of the People's Republic of China* was revised at the 18th session of the Standing Committee of the Tenth National People's Congress which came into force on January 1st, 2006.
- In 2006** ◆ Agricultural Tax was abolished on January 1st.

- On April 28th, the State Council issued the *Interim Regulation of the People's Republic of China on Tobacco Leaf Tax*.

On December 29th, *Interim Regulations of the People's Republic of China on Vehicle and Vessel Tax* was issued and came into force on January 1st, 2007.

On December 31st, *Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax* was revised and came into force on January 1st, 2007.
- In 2007** ◆ On June 29th, *Individual Income Tax Law of the People's Republic of China* was revised at the 28th session of the Standing Committee of the Tenth National People's Congress .

On December 29th, *Individual Income Tax Law of the People's Republic of China* was revised at the 31st session of the Standing Committee of the Tenth National People's Congress which came into force on March 1st, 2008.
- From 2007 to 2010** ◆ So far, the domestic and foreign tax systems implemented since China's Reform and Open up have been unified.

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

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

In 2009, Real Estate Tax systems for DEs and FEs were integrated.

In 2010, Urban Maintenance and Construction Tax systems for DEs, FEs and individuals were integrated.
- In 2009** ◆ 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.
- In 2011** ◆ The reform of ad valorem calculation and collection of resource taxes on oil and natural gas was implemented.

On February 25th, *Law of the People's Republic of China on Vehicle and Vessel Tax* was adopted at the 19th session of the Standing Committee of the Eleventh National People's Congress of the People's Republic of China and came into force since January 1st, 2012.

On June 30th, *Individual Income Tax Law of the People's Republic of China* was revised at the 21st session of the Standing Committee of the Eleventh National People's Congress which came into force on September 1st, 2011.
- In 2012** ◆ Some regions were selected as the pilot of replacing business tax with value-added tax (VAT) .
- In 2013** ◆ Business Tax to VAT Pilot Reform was promoted across the nation, the scope of which included the transportation industry and some modern service industries.
- In 2014** ◆ Business Tax to VAT Pilot Reform was further extended to the sectors of railway transportation, mail and telecommunications.

- The reform of ad valorem taxation of resource tax on carbon coal was implemented.
- In 2015** ◆ Progress was steadily made with the Business Tax to VAT Reform. Actively carrying out the Excise Tax Reform. The Reform of ad valorem taxation of resource tax on rare earth, tin and molybdenum was implemented.
- In 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. A pilot water resource tax reform was carried out in Hebei Province. On December 25th, *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 1st, 2018.
- In 2017** ◆ VAT rates were simplified with the rate of 13% abolished, which led to a structure of VAT with 17%, 11% and 6%. On February 24th, *Enterprise Income Tax Law of the People's Republic of China* was revised at the 26th session of the Standing Committee of the Twelfth National People's Congress. The scope of pilot water resource tax reform was enlarged to 9 provinces (autonomous regions and municipalities directly under the Central government) including Beijing. On November 19th, the *Provisional Regulations of Business Tax of the People's Republic of China* was abolished. At the same time, the *Provisional Regulations of VAT of the People's Republic of China* was revised. On December 25th, *Regulation on the Implementation Environmental Protection Tax Law of the People's Republic of China* was issued and came into force on January 1st, 2018. On December 27th, *Tobacco Leaf Tax Law of the People's Republic of China* 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 Twelfth National People's Congress and took effect from July 1st, 2018.
- In 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%. On August 31st, *Individual Income Tax Law of the People's Republic of China* was revised at the 5th session of the Standing Committee of the Thirteenth National People's Congress which came into force on January 1st, 2019. On December 29th, the 7th Session of the Standing Committee of the Thirteenth National People's Congress deliberated and adopted the *Law of the People's Republic of China on Vehicle Purchase Tax* and the *Law of the People's Republic of China on Farmland Occupation Tax*, which came into force on July 1st, 2019 and September 1st, 2019 respectively.

- In 2019** ◆ The VAT rate was lowered with the original 16% and 10% tax rates being adjusted to 13% and 9% respectively to form a three-level VAT rate schedule of 13%, 9% and 6%. The scope of input tax deduction was expanded. The Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises was implemented which further strengthened preferential tax policies for micro and small enterprises.
- On August 26th, the 12th Session of the Standing Committee of the Thirteenth National People's Congress deliberated and adopted the *Law of the People's Republic of China on Resource Tax*, which came into force on September 1st, 2020.
- In 2020** ◆ From March 1st to June 30th, the first annual settlement of general income of individual income tax has progressed smoothly, marking the establishment of an individual income tax system featuring a combination of a comprehensive approach and a scheduler approach in China.
- On August 11th, the *Law of the People's Republic of China on Deed Tax* and the *Law of the People's Republic of China on Urban Maintenance and Construction Tax* were deliberated and adopted at the 21st session of the Standing Committee of the Thirteenth National People's Congress, which came into force on September 1st, 2021.
- In 2021** ◆ On June 10th, the *Stamp Tax Law of the People's Republic of China* was adopted at the 29th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China and came into force as of July 1st, 2022.
- On October 23rd, *Decision of the Standing Committee of the National People's Congress to Authorize the State Council to Conduct the Pilot Program of Real Estate Tax Reform in Certain Areas* was adopted at the 31st Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China.
- In 2022** ◆ On December 27th, the *Value-Added Tax Law (Draft)* was first deliberated at the 38th session of the Standing Committee of the Thirteenth National People's Congress. The existing tax framework and tax burden level were left generally unchanged in accordance with the idea of tax shift in legislation and the *Interim Regulation of the People's Republic of China on Value Added Tax* and relevant regulations became laws.

Current Tax System

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

- 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 6 Current Tax System (2022)

Serial Number	Tax Categories	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
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

Continued

Serial Number	Tax Categories	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
Income Taxes				
5	Enterprise Income Tax	Enterprises within China, including resident and nonresident 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	Tax rates for resident taxpayers are as follows. 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	Tax rates for non-resident taxpayers as follows. Income from wages and salaries, from remunerations for labor services, from authorship remunerations and from royalties: progressive rates from 3% to 45% respectively each month or each single payment; Business income: progressive rates from 5% to 35%; Income derived from interests, dividends and bonuses, leasing or transfer of property, and incidental income: 20%
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%)

Continued

Serial Number	Tax Categories	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
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%
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 yuan for big cities; 1.2~24 yuan for medium-sized cities, 0.9~18 yuan for small cities, and 0.6~12 yuan for county towns, administrative towns and industrial and mining districts
10	Farmland Occupation Tax	Entities and individuals who use arable land to build houses or for other non-agricultural construction purposes within China	Actual area of the arable land occupied by the taxpayer	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%
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, nonferrous ores and salt	Implement based on the <i>Table of Resource Tax Items and Tax Rates</i> attached in the <i>Resource Tax Law of the People's Republic of China</i>
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	Tax Categories	Taxpayers	Objects of Taxation (Base of Taxation)	Tax Rates
14	Stamp Tax	Entities and individuals who conclude or receive taxable documents or conduct securities trading in China. Entities and individuals who conclude taxable documents outside China for use in China	Taxable documents and securities trading concluded or received	Flat tax rate
15	Urban Maintenance and Construction Tax	Entities and individuals that pay VAT and excise tax	Amounts of VAT and excise tax paid by taxpayers in accordance with laws	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 in accordance with the <i>Law of the People's Republic of China on Tobacco Monopoly</i>	Actual amount paid by tax payers in purchasing tobacco leaves	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</i> of the <i>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: ①② The Customs authorities are responsible for the collection of Customs Duty, Vessel Tonnage Tax, and VAT and Excise Tax on imported goods.

Tax System and Policy Adjustments in 2022

• Issued and implemented policies regarding the large-scale refund of excess input tax credits

Policies regarding the large-scale refund of excess input tax credits mainly included the following policies. The first was refund of excess input tax credits policy for key industries. We refunded existing excess input tax credits in full at one time and refund new excess input tax credits in full on a monthly basis to eligible enterprises (including self-employed individuals) in 13 key industries including manufacturing, wholesale and retail industry. The second was refund of excess input tax credits policy for micro and small enterprises. We refunded existing excess input tax credits in full at one time and refund new excess input tax credits in full on a monthly basis to eligible micro and small enterprises (including self-employed individuals). Among them, the refund of excess input tax credits policy for micro and small enterprises would be extended to December 31st, 2022.

• Issued preferential tax policies in support of technological innovation

Small and medium-sized scientific and technological enterprise could enjoy an additional 100% deduction of the research and development expenses incurred from the research and development work on the basis of the actual deductions when no intangible asset has been formed and calculated into the current gains and losses since January 1st, 2022. If intangible assets have been formed, they shall be amortized at 200% of the cost of the intangible assets since January 1st, 2022. Equipment and instruments purchased by high-tech enterprises from October 1st, 2022 to December 31st, 2022 may qualify for a full deduction in a lump sum for the year in the calculation of taxable income and for a 100% pre-tax additional deduction. For enterprises to

which the pre-tax additional deduction rate of 75% of research and development expenses applies, the pre-tax additional deduction rate shall be increased to 100% for the period from October 1st, 2022 to December 31st, 2022. The expenditures of funds contributed by an enterprise to a not-for-profit scientific and technological research and development institution, institution of higher education or government-managed natural science fund for basic research may be deducted before tax payment to the extent of the amount actually incurred in the calculation of the amount of taxable income, and an extra 100% of the amount of such expenditures may be deducted before tax payment. The income from basic research funds received by not-for-profit scientific research institutions and institutions of higher education from enterprises, individuals and other organizations shall be exempt from enterprise income tax.

• Issued preferential tax policies in support of micro, small and medium-sized enterprises

From April 1st, 2022 to December 31st, 2022, a small-scale VAT taxpayer shall be exempt from VAT if the VAT rate of 3% applies to its taxable sales income, and the prepayment of VAT on its items subject to prepayment of VAT at the rate of 3% shall be suspended. A micro, small or medium-sized enterprise may voluntarily choose to deduct the equipment and instruments with a unit value of 5 million yuan or more newly purchased by it in 2022. Where the minimum depreciation period of any equipment and instruments is three years, 100% of the unit value of the equipment and instruments may be deducted in a lump sum before the payment of enterprise income tax in the current year; and where the minimum depreciation period is four years, five years or ten years, 50% of the unit value may be deducted in a lump sum before the payment of enterprise income tax

in the current year, and for the remaining 50%, depreciation shall be calculated in the remaining years as required for the deduction before the payment of enterprise income tax. The annual taxable income of a small low-profit enterprise that is more than 1 million yuan but less than 3 million yuan shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20% from January 1st, 2022, to December 31st, 2024. As determined by the people's government of a province, autonomous region, or municipality directly under the Central Government in light of the actual circumstances of the local region and according to the macro-control needs, a small-scale VAT taxpayer, a small low-profit enterprise or a self-employed individual may pay resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding securities trading stamp tax), farmland occupation tax, educational surtax or local education surcharges at the reduced tax rate of 50% or less. After continuing the deferred payment of certain taxes and fees in the fourth quarter of 2021, it is allowed to defer the payment of certain taxes and fees in the first and second quarters of 2022 for eligible taxpayers. Of the micro, small and medium-sized manufacturing enterprises that meet the conditions specified in this policy and have filed their tax returns in accordance with the law, the medium-sized enterprises may defer the payment of 50% of all taxes and fees as prescribed in this policy, and the micro and small enterprises may defer the payment of all the taxes and fees as prescribed in this policy for no more than six months. Based on the above policies, since September 1st, 2022, medium-sized manufacturing enterprises which have deferred the payment of 50% of all taxes and fees, and micro and small manufacturing enterprises which have deferred the payment of 100% of all taxes and fees as prescribed in the *Announcement of the State Taxation Administration and the Ministry*

of Finance on Matters Concerning Continuing the Deferred Payment of Certain Taxes and Fees by Micro, Small and Medium-Sized Manufacturing Enterprises could continue their deferment for another 4 months after the expiration of their current deferment period.

- **Issued preferential tax policies which supported the transportation industry through difficulties and help them develop**

From January 1st, 2022 to December 31st, 2022, the prepayment of VAT by branches of air and railway transport enterprises shall be suspended. From January 1st, 2022 to December 31st, 2022, a taxpayer in the manufacturing service industry is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable and a taxpayer in the life service industry is allowed to credit the amount of input tax deductible in the current period plus 15% thereof against the amount of taxes payable. From January 1st, 2022 to December 31st, 2022, the income obtained by taxpayers from providing public transportation services shall be exempt from VAT. From May 1st, 2022 to December 31st, 2022, the income obtained by taxpayers from providing residents with daily necessities express delivery services shall be exempt from VAT.

- **Issued temporary policies on the postponed payment of social security contributions which supported the difficulty alleviation and development of enterprises**

Temporary policies on the deferred payment of the basic pension insurance for enterprise employees, unemployment insurance and employment injury insurance were implemented. Catering, retail, tourism, civil aviation, and road, water and railway transportation enterprises shall be subject to the policy of deferred payment of pension insurance, unemployment insurance and employment injury insurance temporarily. Specifically, the payment

of pension insurance may be deferred by three months, and the payment of unemployment insurance and employment injury insurance may be deferred by no more than one year. No late fee shall be charged during the deferment period. Where it is truly difficult for self-employed individuals participating in the basic pension insurance scheme for its employees in the identity of individuals and various personnel in flexible employment to pay pension insurance in 2022, they may defer the payment on a voluntary basis, and pay such premiums before the end of 2023. In May 2022, On the basis of the implementing the policies regarding the temporary deferred payment of three social security contributions for five hard-hit industries, namely, catering, retail, tourism, civil aviation, and road, water, and railway transportation, the scope of implementation shall be further expanded primarily with respect to manufacturing enterprises heavily affected by the Covid-19 pandemic and having difficulties in production and business operations in industrial chains and supply chains. Difficulty-ridden enterprises in the industries included in the expanded scope of deferred payment may apply for the deferred payment of the part of three social security contributions that shall be contributed by employers. The deferred payment of pension insurance may be implemented until the end of 2022, and the period of deferred payment of unemployment insurance and employment injury insurance shall not exceed one year. The period of deferred payment of pension insurance for the five hard-hit industries originally specified shall be extended until the end of 2022 accordingly. No late fees may be charged during deferred payment periods. Implementing deferred payment policies for micro, small and medium-sized enterprises which are heavily impacted by the Covid-19 pandemic and have difficulties in production and business operations. All micro, small and medium-sized enterprises that encounter temporary difficulties in production and business operations

in regions hard hit by the Covid-19 pandemic and self-employed individuals that participate in insurance schemes as entities may apply for the deferred payment of the part of three social security contributions that shall be contributed by employers, which may be implemented until the end of 2022, and no late fees may be charged during the period. Implementing deferred payment of basic medical insurance policies. In regions where the total pooling fund has accumulated more than 6 months of payments, since July 2022, micro, small and medium-sized enterprises and individual industrial and commercial households that participate in insurance schemes as entities may apply for the deferred payment of three months of basic medical insurance. No late fees may be charged during the period. The policies shall apply also to the public institutions and social organizations, foundations, social service institutions, law firms, accounting firms and other social organizations that participate in the basic pension insurance scheme for enterprise employees.

- **Issued preferential tax policies in support of the consumption expansion, the cause of people's livelihood and financial development**

Temporary policy concerning reducing vehicle acquisition tax on certain passenger vehicles was implemented. The vehicle acquisition tax on passenger vehicles with 2.0 L or lower displacement which are purchased during the period from June 1st, 2022, and December 31st, 2022, and whose price per vehicle (excluding value-added tax) does not exceed 300,000 yuan shall be reduced by half. Expenditures for care services for infants and children under age three were included in the IIT special additional deductions. Specifically, the relevant expenditures for care services for infants and children under age three incurred by taxpayers shall be deductible to the extent of 1,000 yuan per month for each

infant or child. Since January 1st, 2022, the preferential policy of deferred payment of taxes on private pensions shall apply in some pilot cities. When contributions are made into private pension schemes, the contributions made by individuals to private pension fund accounts shall be deductible to the extent of the amounts actually incurred from comprehensive income or business income capped at 12,000 yuan per year; when investments are made, the income from investments included in private pension fund accounts shall be temporarily exempt from individual income tax; and when private pensions are received, private pensions received by individuals shall not be included in comprehensive income, the individual income tax thereon shall be calculated and paid separately at the tax rate of 3%, and the taxes paid shall be included in the item of “income from wages and salaries.” During the period from October 1st, 2022 to December 31st, 2022, the payment of the charges payable for enterprises and self-employed individuals in the *List of Deferred Administrative Charges Involving Enterprises and Self-employed Individuals* (including Fees for restoration of grassland vegetation and Consumer waste treatment charges collected by the Tax Authority) may be deferred for one quarter from the due date, without late payment penalties.

From August 1st, 2022 to July 31st, 2023, to dispose of real estate for debt payment, general VAT taxpayers among banking financial institutions and financial asset management companies may choose to regard the full price and ex-price fees obtained as the sales volume after deducting the price when the real estate for debt payment is obtained and calculate and pay VAT at the tax rate of 9%. The contracts, documents on transfer of property rights and business account books involved in the process of receiving and disposing of the real estate for debt payment by banking financial institutions and financial

asset management companies shall be exempt from stamp duty, and the stamp duty payable by other parties shall be levied for the contracts or documents on transfer of property rights according to the regulations. Banking financial institutions and financial asset management companies shall be exempted from deed tax for receiving assets for debt payment. According to the authorization by the *Interim Regulation of the People's Republic of China on Property Tax* and the *Interim Regulation of the People's Republic of China on Urban and Town Land Use Tax* and the local realities, all localities may reduce or exempt the property tax and the urban and town land use tax for real estate for debt payment held by banking financial institutions and financial asset management companies.

•Deferring the implementation period of some expired tax policies

The implementation period of some policies which help enterprises through difficulties and promote business start-up and innovation was deferred. For instance, the implementation period of such preferential tax policies was deferred to December 31st, 2023 in the *Notice of the Ministry of Finance, the State Administration of Taxation, the Ministry of Science and Technology, and the Ministry of Education on Tax Policies Regarding Science and Technology Enterprise Incubators, University Science Parks and Maker-spaces*, the *Notice by the Ministry of Finance and the State Taxation Administration of Continuing the Preferential Policies of Reduction and Exemption of Urban Land Use Tax on Urban Public Transport Station Yards, Road Passenger Transport Station Yards and Urban Rail Transport Systems*, the *Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Implementation of the Preferential Policies for House Property Tax and Urban Land Use Tax on Agricultural Product Wholesale Markets and Farmers' Markets*, the *Notice by the Ministry of*

Finance and the State Administration of Taxation of Policies on Property Tax and Stamp Tax on College Student Apartments, the Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Veterans Affairs on Relevant Tax Policies on Further Supporting the Business Startup by and the Employment of Veterans Seeking Independent Employment, the Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment on Issues Concerning Enterprise Income Tax Policies for Third-Party Enterprises Engaged in Pollution Prevention and Control and Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Individual Income Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia.

Preferential tax policies concerning certain commodity reserves were deferred. The capital account books of commodity reserves management companies and the depots directly under them were exempt from the stamp duty; and the purchase and sale contracts they conclude in the course of undertaking the commodity reserves business were exempt from the stamp duty. Commodity reserves management companies and the depots directly under them shall be exempt from paying property tax and urban land use tax on the housing properties

and land they use for undertaking the commodity reserves business. Such preferential tax policies were deferred to December 31st, 2023.

Preferential policies for venture capital enterprises and individual angel investors were deferred. From January 1st, 2022 to December 31st, 2023, as for the conditions that a science and technology enterprise at the startup stage needs to satisfy, it shall still have no more than 300 employees and neither its total assets nor its annual sales revenues may exceed 50 million yuan, and other conditions as prescribed in the *Notice by the Ministry of Finance and the State Taxation Administration of Relevant Tax Policies for Venture Capital Enterprises and Individual Angel Investors* shall remain unchanged.

We deferred the policies regarding the exemption of new-energy automobiles from vehicle acquisition tax. The new-energy automobiles purchased during the period from January 1st, 2023, to December 31st, 2023, shall be exempt from vehicle acquisition tax.

We extended the temporary policies on reducing premiums for unemployment insurance and workers' compensation. Since May 1st, 2022 the temporary policies on reducing premiums for unemployment insurance and workers' compensation was extended for 1 year till April 30th, 2023.

Current Social Insurance System

At present, social insurance in China consists of five major categories, which are basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance and maternity insurance. In addition, in light with the decision and deployment of the

CPC Central Committee and the State Council, the tax authorities are also collecting long-term care insurance and occupational injury insurance for new employment forms, which are in the trial phase.

Table 7 Current Social Insurance System in China (2022)

Categories		Premium Payer	Contribution Base	Contribution Rate
Basic Pension Insurance	The basic pension insurance for enterprise employees	Employers and employees (except for government offices and public institutions and their employees). Individual industrial and commercial households without employers, part-time employees not participating in the basic pension insurance through their employers, and other freelancers	Contribution base of employers: the sum of the individual contribution wages bases of the employees	Contribution rate of employers: 16%
			Contribution base of employees: personal wage income. Where the monthly wage income of the employee is lower than 60% of the province's full-scope social average salary in the previous year, the wage for contribution payment shall be determined according to the 60% of the standard; The portion of the wage income exceeding 300% of the province's full-scope social average salary in the previous year will not be counted into the wage for contribution payment	Contribution rate of employees: 8%
			Contribution base of persons in flexible employment: can be chosen appropriately between 60% to 300% of the province's full-scope social average salary in the previous year	Contribution rate of persons in flexible employment: 20%

Continued

Categories		Premium Payer	Contribution Base	Contribution Rate
Basic Pension Insurance			Contribution base of employers: the sum of the individual contribution wages bases of the employees participated in the basic pension insurance for employees in the government offices and public institutions	Contribution rate of employers: 16%
	The basic pension insurance for employees in the government offices and public institutions	Employers and employees (government offices and public institutions and their employees)	Contribution base of employees: personal wage income. Where the monthly wage income of the employee is lower than 60% of the province's full-scope social average salary in the previous year, the wage for contribution payment shall be determined according to the 60% of the standard; The portion of the wage income exceeding 300% of the province's full-scope social average salary in the previous year will not be counted into the wage for contribution payment	Contribution rate of employees: 8%
	The basic pension insurance for urban and rural residents	Urban and rural residents who have attained the age of 16 or above (except for current students) but do not work in the government offices and public institutions and have not covered by the basic pension insurance for enterprise employees	The individual contribution standards are separated into 12 grades per person per year, includes: 100 yuan, 200 yuan, 300 yuan, 400 yuan, 500 yuan, 600 yuan, 700 yuan, 800 yuan, 900 yuan, 1,000 yuan, 1,500 yuan and 2,000 yuan. Provincial (regional, municipal) level governments can set up additional contribution grades based on local conditions	

Continued

Categories		Premium Payer	Contribution Base	Contribution Rate
Basic Medical Insurance	Basic medical insurance for employees	Employers and employees shall jointly pay the insurance. Individual industrial and commercial households without employers, part-time employees not participating in the basic medical insurance through their employers and other persons in flexible employment can voluntarily participate in social insurance, but shall pay the basic medical insurance themselves	Contribution base of employers: the sum of the wages of the employees	Contribution rate of employers: around 6%
			Contribution base of employees: personal wage income	Contribution rate of employees: around 2%
			Contribution base for freelancers may refer to the average annual salary of local employees in the previous year	In principle, contribution rate for freelancers is determined based on local contribution rates
	The basic medical insurance for urban and rural residents	All urban and rural residents except those who should be covered by the basic medical insurance for employees	The lowest contribution standard in 2022 is 350 yuan per person per year	
Unemployment Insurance	Unemployment insurance	Employers and employees	Contribution base of employers: the sum of the wages	Contribution rate of employers: 2%
			Contribution base of employees: personal wage income	Contribution rate of employees: 1%

Continued

Categories		Premium Payer	Contribution Base	Contribution Rate
Employment Injury Insurance	Employment injury insurance	Employers	Contribution base of employers: the sum of the wages of the employees	<p>(1) Differential premium rates for different industries: In terms of employment injury insurance, different industries are classified into eight risk categories. The contribution rate of the first to the eighth category is set at about 0.2%, 0.4%, 0.7%, 0.9%, 1.1%, 1.3%, 1.6%, and 1.9% of the total wages of employees in the industry.</p> <p>(2) Floating rate: On the basis of implementing industry differential rates, the rate grades in each industry are determined by the method of rate floating. The first category is divided into three grades, that is, on the basis of the base rate, it can be floated up to 120% and 150%, and the second to eighth categories are divided into five grades, that is, on the basis of the base rate, it can be float up to 120%, 150% or down to 80%, 50%, respectively</p>
Maternity Insurance	Maternity insurance	Employers	Contribution base of employers: the sum of the wages of the employees. In principle, it is the same as the payment base of the basic medical insurance for employees	It is collected and paid in a unified manner with the basic medical insurance for employees, and the new unit rate is determined according to the sum of the contribution rate of the employers participating in the maternity insurance and the basic medical insurance for employees

Continued

Categories		Premium Payer	Contribution Base	Contribution Rate
Long-term Care Insurance (being piloted)	Long-term care insurance for employees	Employees and individuals enrolled in basic medical insurance for employees in pilot regions	Contribution base of employers: the sum of the wages of the employees	Maintain the contribution rate of individuals the same as the contribution rate of employers.
			Contribution base of individuals: the sum of personal wage income	Contribution rate of individuals in pilot regions is set between 0.15% to 0.5%
	Long-term care insurance for urban and rural residents	Individuals enrolled in the basic medical insurance for urban and rural residents in pilot regions	Contribution base ranges from 10 to 180 yuan per person per year in different pilot region	
Occupational injury protection fee for employees in emerging industries (being piloted)	Occupational injury protection fee for new employment pattern employees	Travel, takeaway, instant delivery and crosstown freight platform companies	Total order quantity in the previous month	During the trial period, the fees for travel, takeaway, instant delivery and intra-city freight are temporarily set at 0.04, 0.06, 0.04 and 0.2 yuan per order respectively. After the official implementation, based on situations such as the utilization of occupational injury protection fees and the incidence rate of occupational injuries, the premium for platform enterprises can fluctuate, with an upper and lower limit of 50% higher or lower than the benchmark

Tax Treaty and Exchange of Information Network

Expanding Tax Treaty Network

In 2022, the STA further expanded and improved the tax treaty network. By the end of 2022, China's tax treaty network had covered 112 jurisdictions worldwide, basically covering the main destinations of China's foreign investment and the principal jurisdictions investing in China.

In addition, the implementation procedure of the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (referred to as the *BEPS Multilateral Convention*) in China was completed, and the effective announcement was issued.

Table 8 List of Agreements for the Avoidance of Double Taxation Between China and Other Countries

Jurisdiction	Signed on	Effective from	Jurisdiction	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 ^①	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
				2019.04.01	2019.12.27
Thailand	1986.10.27	1986.12.29	Italy	1986.10.31	1989.11.14
				2019.03.23	(Not effective yet)
Netherlands	1987.05.13	1988.03.05	Czechoslovakia (applicable to Slovakia) ^②	1987.06.11	1987.12.23
	2013.05.31	2014.08.31			

Continued

Jurisdiction	Signed on	Effective from	Jurisdiction	Signed on	Effective from
Poland	1988.06.07	1989.01.07	Australia	1988.11.17	1990.12.28
Yugoslavia (applicable to Bosnia and Herzegovina) ^③	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	2021.05.02		2016.07.04	2017.06.17
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
Serbia ^④	1997.03.21	1998.01.01	Sudan	1997.05.30	1999.02.09
Montenegro ^④	1997.03.21	1998.01.01			

Continued

Jurisdiction	Signed on	Effective from	Jurisdiction	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	Kazakhstan	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
Uganda	2012.01.11	(Not effective yet)	Botswana	2012.04.11	2018.09.19
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)

Continued

Jurisdiction	Signed on	Effective from	Jurisdiction	Signed on	Effective from
The Republic of Congo	2018.09.05	2022.07.06	Angola	2018.10.09	2022.06.11
Argentina	2018.12.02	(Not effective yet)	Rwanda	2021.12.07	2022.06.25

Notes:① The Chinese government signed the Agreement for the Avoidance of Double Taxation with respect to Taxes on Income and Capital with the government of the Federal Republic of Germany on June 10th, 1985 and 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 German Democratic Republic on June 8th, 1987. Since the German Democratic Republic officially joined the Federal Republic of Germany on October 3rd, 1990, the Agreement for the Avoidance of Double Taxation with respect to Taxes on Income and Capital signed by the Chinese government and the government of the Federal Republic of Germany on June 10th, 1985 has remained applicable to China and the reunited Germany.

② 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 11th, 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 1st, 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 28th, 2009, which has come into force.

③ 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 12th, 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.

④ 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 21st, 1997. The Agreement continued to be applicable when the Federal Republic of Yugoslavia changed name as Serbia and Montenegro February 4th, 2003. On June 3rd, 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.

Table 9 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 10 Tax Agreement Between the Chinese Mainland and China's Taiwan Region

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 jurisdictions in relation to EOI in 2020 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. The Convention became applicable to China on February 1st, 2016 and has started to be implemented by China since January 1st, 2017. China also signed Tax Information Exchange Agreements (TIEAs) with ten 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. 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 2020, China was rated "largely compliant" in the Exchange of Information on Request Peer Review (2nd Round) of the Global Forum on Transparency and Exchange of

Information for Tax Purposes.

In 2014, China promised to implement the Standard for Automatic Exchange of Financial Account Information.

In December 2015, with the approval of the State Council, the STA signed *the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Information*.

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 1st, 2017 and realized the implementation of CRS in China. Since 2018, China has exchanged information with major economies and financial centers in the world for three consecutive years, obtained offshore account information of Chinese taxpayers and laid a solid foundation for the fight against cross-border tax evasion and avoidance. In 2020, China was rated overall "in place" in the legal framework's assessment of the Peer Review of the Automatic Exchange of Financial Account Information. In 2022, China was rated "qualified" in the CRS.

Table 11 Multilateral Tax Conventions Signed by the Chinese Government

Name	Signed on	Effective from	Applicable Since	Signed by
Multilateral Convention on Mutual Administrative Assistance in Tax Matters	2013.08.27	2016.02.01	2017.01.01	Wang Jun
Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports	2016.05.12			Wang Jun
Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting	2017.06.07	2022.09.01		Wang Jun

Table 12 TIEAs Signed by the Chinese Government

Jurisdiction	Signed on	Effective from	Applicable Since	Signed by
Bahamas	2009.12.01	2010.08.28	2011.01.01	Hu Dingxian (Ambassador)
British Virgin Islands	2009.12.07	2010.12.30	2011.01.01	Qian Guanlin
Isle of Man	2010.10.26	2011.08.14	2012.01.01	Xiao Jie
Guernsey	2010.10.27	2011.08.17	2012.01.01	Xiao Jie
Jersey	2010.10.29	2011.11.10	2012.01.01	Xiao Jie
Bermuda	2010.12.02	2011.12.31	2012.01.01	Wang Li
Argentina	2010.12.13	2011.09.16	2012.01.01	Xiao Jie
Cayman Islands	2011.09.26	2012.11.15	2013.01.01	Song Lan
San Marino	2012.07.09	2013.04.30	2014.01.01	Xiao Jie
Liechtenstein	2014.01.27	2014.08.02	2015.01.01	Liang Jianquan (Counsel-General in Zurich)