State Administration of Taxation Annual Report

(2017)

State Administration of Taxation
People's Republic of China

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Commissioner's Message

As Commissioner of the State Administration of Taxation (SAT) I am pleased to present you with The *SAT Annual Report 2017*. This annual report sets out the notable recent achievements in developing a modernized tax system, detailing our strategic plans, organizational structure, tax system, tax administration and service delivery. I would like to express my appreciation to all domestic and international stakeholders without whose consistent support we could not have achieved our goals.

In 2017, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the SAT thoroughly implemented the decisions of the 19th National Congress of the Communist Party of China (CPC) and made steady progress in all aspects towards tax modernization. The tax revenue collected in 2017 reached 12.6 trillion renminbi (RMB) (exclusive of export tax refund), an 8.7% increase on previous year. The more rapid revenue growth has better echoed with that in the economy in providing solid financial support for China's social and economic development. Reform on the tax system has been actively carried out, and the pilot program of Business Tax to Valued Added Tax (VAT) reform has been further rolled out nationwide with remarkable outcomes. Meanwhile, we also steadily expanded the scope of pilots in Water Resource Tax reform and prepared for the imposition of Environmental Protection Tax. Besides, the reform on tax collection and administration has been deepened, with tasks at all stages being completed while quality of tax administration evidently improved, contributing to the establishment of the tax governance pattern based on common participation. We continued to optimize business environment and push forward reforms in streamlining administration and delegating powers, improving regulation and optimizing services in the field of taxation. 30 specific measures were published to optimize tax environment. In terms of ranking of doing business index of taxation, China was 1 place higher than the previous year. Regarding the indicator of time of paying taxes, our ranking was elevated by 32 places. We successfully hosted BRICS Heads of Tax Authorities Meeting with fruitful outcomes, shared China's experience in the VAT reform on the 4th OECD Global Forum on VAT. We signed the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* with 66 countries and jurisdictions, and made significant progress in supporting the implementation of the "Belt and Road" Initiative and aiding foreign countries in terms of tax-related technologies. All of these demonstrate our active role in the field of international taxation. We strengthened overall planning in building up our workforce at the community-level, making our staff more vigorous and enterprising in their daily practice.

As a saying goes, "all good principles should adapt to changing times to remain relevant". In 2018, the SAT will stick to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, and seek progress while maintaining stability and implement the development principles of innovation, coordination, green, openness, and sharing. Acting in response to the evolution of the principal contradiction in Chinese society, we should focus on promoting coordinated economic, political, cultural, social, and ecological progress and balanced implementation of the Four-Prolonged Comprehensive Strategy to achieve better outcome in completing all tax tasks with a well-organized workforce. We will further strengthen the role of taxation in maintaining stable growth, promoting reform, adjusting structure, benefiting people's livelihoods, and guarding against risks, which will in turn promote the economic growth and social welfare and finally make outstanding contribution to build a moderately prosperous society in all respects.

The SAT will deepen cooperation and communication with other countries in international taxation, make strong efforts to support the implementation of the "Belt and Road" Initiative, and actively help the developing and low-income countries to improve their capacity in tax collection and administration so as to achieve new progress in international tax cooperation.

As an old Chinese saying goes, "Nothing, not even mountains and oceans, can separate people with shared goals and vision". We seek to join hands with tax authorities across the globe to establish cooperative and reciprocal international relationships. I sincerely hope to have your continuous supports on tax reforms and development in China.

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Wang Jun

Commissioner, the SAT

April, 2018

Development Strategy

— Advancing high–quality tax modernization in the new era

- **Philosophical Guidance—"One Theoretical System"**
- **Overall Planning—"Three Stage Objectives "**
- **Connotative Requirement—"Six Specific Emphasis"**
- **Implementation Scheme—"One Action Plan"**

Philosophical Guidance—"One Theoretical System"

We must stick to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as our orientation in both theory and practice. On this basis, we will step up building the theoretical system of taxation with Chinese characteristics for future progress. In this course, we will demonstrate to the world our tax concepts, culture and wisdom and strengthen our soft power in tax administration.

Overall Planning—"Three Stage Objectives "

Stage 1(on current basis till 2020): fulfilling the basic tasks of tax modernization proposed at the end of 2013;

Stage 2(2020−2035): achieving more coordinated and comprehensive development that keeps in pace with China's overall modernization process;

Stage 3(2035−2050s): taking the lead in all aspects regarding international tax image to the globe.

Connotative Requirements—"Six Specific Emphasis"

Innovation Objectives, tasks, measures and standards of tax modernization should be timely adjusted, improved and updated according to the development in the new era, keeping elements of the "Six Systems of Tax Modernization" constantly enriched and expanded with the change of time. While adhering to the general objectives and requirements, we will harden our resolve and make unremitting efforts to pursue innovation and reach our target under stricter and higher demands. (See Figure 1)

Comprehensiveness Every system, with the mandates it covers, should be fully developed and improved in coordination with each other for systematic progress as a whole. With the principle of providing people-oriented service, we ensure that

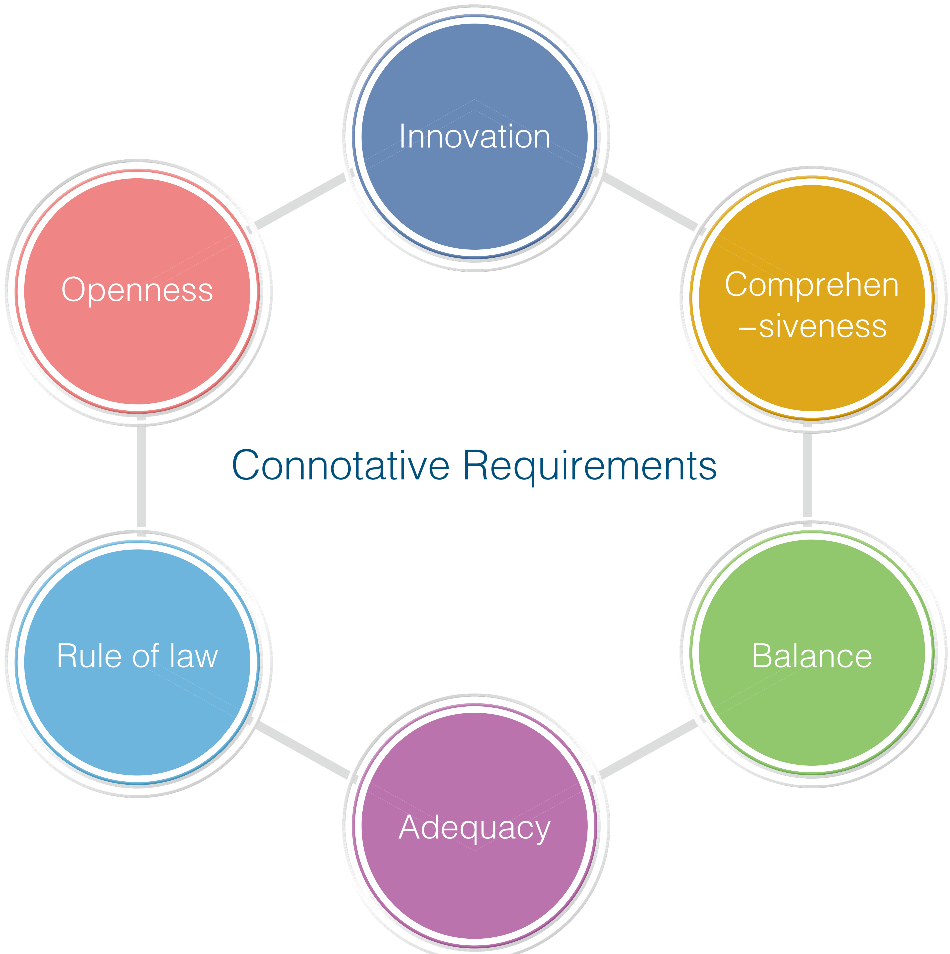

Figure 1 Connotative Requirements

all taxpayers' legitimate rights are well protected and enhance their sense of gain. Meanwhile, we keep improving every official's overall quality and competency to release more vitality and creativity in daily practice.

Balance We strive to unify working standards and narrow the differences between regions in terms of procedure and quality, so as to regulate our practice and provide certainty in enforcement. Both the SAT Headquarter and provincial-level offices shall enhance supervision and guidance over establishing partnership between regions in helping each other to achieve more balanced progress together.

Adequacy Improvements shall be made in terms of quantity, scale and speed to ensure adequate development with both quality and efficiency. To ensure optimized functions, taxation should be given full play as one of the pillars underpinning public governance and modernization. Against the backdrop of the rapid development in information technology, we should be more adaptive in applying advanced IT tools to support and speed up our effort in building connectivity by providing more intelligent networks of tax information. With more authoritative big data of taxation, our influence and functions can be further expanded to stand at a better position in the era of information.

Rule of law Legal system will be reviewed and improved to provide a complete framework for taxation. Tax officials, especially those at senior and leading positions, should be equipped with enhanced sense and mindset to fulfill their obligations on the basis of rule of law. Enforcement should be strict, with higher level of openness, fairness, normalization and civility, so as to contribute to improvement in taxpayers', especially individuals' compliance to tax laws. Acting in accordance with the requirement of developing a new model of social governance based on collaboration, co-governance, and common gains, we will stick to the principle of co-governance in the field of taxation, and achieve expanded outcomes by fully applying rule of law in taxation.

Openness We should be able to bear a bigger vision and improve ourselves by learning good experience from other industries and institutes domestically, drawing on others' strengths to overcome our own shortcomings. Meanwhile, we shall stride to expand our presence in the arena of international tax administration and draw on merits of other countries. We will also endeavor to transforming in the following aspects: firstly, shifting our role from a participant to one of the leaders in the process of international tax rule-making; secondly, becoming a major player in international tax organization other than only play a supportive role; thirdly, providing all-round, not only partial, supports to other developing countries to enhance their administration capacity; fourth, bringing up a large number of elites to serve for our global strategies; fifth, making continuous efforts to steadily stand at top rankings in the doing business index of taxation.

Implementation Scheme—"One Action Plan"

In 2018, we need to carefully study and put forward an action plan to advance high-quality tax modernization in the new era, which should cover the following:

First, current shortcomings and drawbacks should be figured out according to the basic tasks for tax modernization proposed at the end of 2013, which are to be fulfilled by 2020. Roadmaps, schedules and proposals should be made correspondingly to eliminate our obstacles ahead.

Second, it is significant to clarify the general requirements, strategic planning, stage objectives and system functions for implementation in the near future.

Finally, specific measures as well as review criteria should be proposed based on research for the next phase of progress.

Hot Topics

◇ Expansion of VAT Pilot Programs

◇ Adjustments on the Roles of Tax Administrations

◇ Implementation of Reform Measures

◇ The Fifth BRICS Heads of Tax Authorities Meeting

The performance of tax administrations of China in the year of 2017 remained strong and consistent with reform initiatives, highlighted in the following activities:

The thorough expansion of VAT pilot programs has further improved China's indirect tax system.

Significant improvements on streamlining administration procedures, delegating more powers to lower-level tax administrations, improving regulation and optimizing services, which have led to the SAT moving up by 32 places on the list of World Bank ranking the Time to Pay Taxes.

All the periodical goals to implement the Tax Collection and Administration Reform have been achieved thanks to the well arrangements of implementation agenda and dedication of all tax staffs.

The Fifth Meeting of BRICS Heads of Tax Authorities was a success, signifying the new era for the cooperation among the BRICS tax authorities.

Expansion of VAT Pilot Programs

In 2017, the comprehensive pilot program of Business Tax to VAT reform has been boosted in-depth. With the other VAT rates kept the same, the previous VAT rate of 13% has been reduced to 11%. The VAT rates consist of 17%,11% and 6%. The replacement of Business Tax with VAT was reassured by means of regulation, when the provisional regulations of Business Tax were abolished while the provisional regulations of VAT are revised accordingly. The amount of tax reduced has reached 918.6 billion RMB, made powerful contribution to the stabilization and optimization of China's economy by the positive externalities, like decreased tax burden, enlarged tax base, stretched industry chains and encouraged innovation and entrepreneurship.

Adjustments on the Roles of Tax Administrations

In 2017, the SAT Headquarter has pushed out 30 measures to deepen the reform of streamlining administration, delegating more powers to lower-level tax administrations, simplifying regulations and optimizing services. These measures have improved the tax collection and administration and the service efficiency and enhanced the taxpayer's senses of gain and happiness. The time spent for paying taxes has reduced by 52 hours on average. The taxpayer satisfaction surveys of state tax administrations and local tax administrations have increased by 5.49 and 2.04 respectively compared with the previous year. The China's Doing Business, the index published by the World Bank, has moved up the global ranking list by one place as well.

The overall operational efficiency has been obviously improved by delegating more powers to lower-level tax administrations. Focus has been put on lists of powers and responsibilities. There will be no power beyond the lists. Meanwhile, there will be strict rules within the lists. For the newly established enterprises, there will be no barriers for them to handle tax-related matters and they will be provided with package service. For those enterprises with operation in different provinces, they have been allowed to handle their tax-related matters anywhere in China, and 15 items including filing tax returns and paying tax can be done in different provinces near the place of the taxpayers.

Simplifying procedures and optimizing processes. Focus has been put on lists of tax-related. Small-scale and low profit businesses are allowed to submit their financial statements quarterly instead of monthly. The information required for enjoy preferential tax treatment is to be kept by the taxpayers for future reference instead of being submitted for the record. The integration of IT systems has been speeded up.

Changing pattern of tax administration to improve efficiency. Focus has been put on tax matters instead of each and every taxpayer. The tax authorities of state taxation and local taxation in various places have jointly issued *Benchmark for Discretion in Tax Administration Penalty*. The targets for tax inspection and the corresponding inspectors are to be chosen randomly and the results of tax inspection are to be available to the public timely. Tax-related matters are handled on real name basis. Credit management has been strengthened.

Innovating taxpayer service by addressing the thorny problems. Self-service and e-invoices have been implemented. The state tax administrations and local tax administrations offer services at the same places, so the taxpayers can handle their tax-related matters by visiting only one tax office. Action plan of "Internet + Tax" has been implemented, taxpayers can also handle their tax-related matters without visiting the tax offices in person.

Implementation of Reform Measures

- Innovating taxpayer service mechanism and issuing 90 items of 26 categories measures for the convenience of the taxpayers;
- Strengthening the cooperation among tax administrations from provincial level and below, which has led to 60 joint items of service provision. Implementing joint tax inspection by state tax offices and local tax offices with information sharing platform;

- Boosting scientific and technological innovation, which has caused the change of tax collection and administration from experience-based to big-data-based;
- Changing the pattern of tax collection and administration and setting up cross-regional administration and supervision organizations. Exploring closed-loop management of "tax-related matters handled on real name basis + classification and level-based administration +credit score + risk management";
- Boosting reform of tax regime, further implementing the comprehensive pilot program of Business Tax to VAT, enlarging the scope of pilot reform on Water Resource Tax to get ready for the levying of Environmental Protection Tax;
- Blending in overall development and establishing research mechanism concerning tax information of different countries including 95 "Belt and Road" Initiative countries and key investment destinations of "going global" enterprises. Issuing 59 investment and tax guidelines of various countries and tax guidance for "going global";
- Engaging in international cooperation, and signed *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* with 66 countries (jurisdictions);
- Optimizing the system of taxation organization and actively exploring institutional work system including party construction, performance management, digital personnel, talent project and basic level management.

The Fifth BRICS Heads of Tax Authorities Meeting

Between July 27th and 28th, 2017, The Fifth BRICS Heads of Tax Authorities Meeting was held in Hangzhou, China, which was closed with 8 achievements:

- Institutional mechanism of cooperation among BRICS countries has been established and Memorandum of Cooperation among BRICS Countries has been jointly signed, which is the first institutional documents of the cooperation of related parties.
- Understanding concerning the implementation of achievements of international tax reform has been deepened. It has been proposed, within the framework of United Nations (UN), Group 20(G20), Organization of Economic Co-operation and Development(OECD) and other international organizations, to participate in the formulation of international rules more actively, timely, continuously. By implementing the achievements of Base Erosion and Profit Shifting(BEPS) Project, the SAT further promotes the establishment of international rules to give support to the development of digital economy, and jointly make the international taxation system fairer and modernized.
- The consensus on cooperation on exchange of tax information has been reached. It has been jointly committed to implement Common Reporting Standard(CRS) concerning tax information of financial accounts before September 2018 to carry out the proposal by G20 Summit about improving tax transparency.

- Commitment has been made to improve the efficiency of Mutual Agreement Procedures(MAP).

- Cooperation plan has been made on building capacity of tax collection and administration. It has been determined to establish mechanism of mutual support among BRICS countries. In the next two years, China will provide training to no less than 150 trainees from developing countries each year to facilitate the institutionalization and normalization of capacity building program.

- The route has been planned for the coordination of tax policy and administration. It has been committed to more actively strengthen mutual policy coordination and cooperation of tax administration for the purposes including increasing tax neutrality, decreasing the negative spillover effect of taxation, implementing the fair treatment of tax treaties, eliminating international double taxation and enhancing cross-border trade and investment.

- It has been jointly proposed to increase tax certainty.

- The building of experience sharing mechanism has been boosted. It has been committed to establish regular sharing and researching mechanisms on different levels to deepen the cooperation on various aspects including policy communication, administration cooperation, coordination of relationship between the taxpayers and the tax authorities, and dispute resolution.

Organizational Structure

◇ Organizational Structure and Responsibilities of the SAT Headquarter

◇ Organizational Structure and Responsibilities of Tax Administrations at Provincial Level and Below

◇ Workforce Demographics

Established previously as a directorate within the Ministry of Finance (MOF) in 1950, the SAT is now an independent organization directly under the State Council. In response to the financial reform which segregated the collection and administration of tax into state and local tax administrations in 1994, the organization of the SAT is made up of a headquarter and co-existing state and local tax administrations at each provincial level and below. This organizational structure adopts a vertical management system, in terms of organization, personnel and budget, in relation to the state tax administrations at each level. There is a shared management framework with local governments over the local tax administrations at the provincial level and below.

Organizational Structure and Responsibilities of the SAT Headquarter

The Management Board of the SAT consists of one Commissioner, four Deputy Commissioners, one Discipline Inspector, one Chief Economist, one Chief Accountant and one Chief Auditor.

As illustrated in Figure 2, the SAT headquarter contains 16 functional departments (e.g. General Office) , 9 supporting institutions (e.g. E-tax Administration Center) , and 1 supportive agency and 3 regional offices.

Also, the Discipline Inspection Office is designated by the Central Commission for Discipline Inspection of the CPC within the SAT.

Figure 2 Organizational Structure of the SAT Headquarter

» Key responsibilities of the SAT:

- Draft tax laws, regulations and implementation rules; provide advice on draft legislation; make joint efforts with the MOF to devise and distribute implementation measures; interpret tax laws and policies during enforcement, and report afterwards to the MOF for record-filing.
- Collect and administrate state taxes, shared taxes and legally required funds (fees) to ensure collection of the due amount of taxes.
- Participate in the design of macro-economic policies and develop state and local tax regimes, conduct research on the overall tax burden and provide tax technical decisions for positive macro-level outcomes.
- Implement reforms in relation to tax administration, including designing and drafting new laws and regulations, ensuring internal conformance and providing guidelines to local tax administrations.
- Safeguard taxpayer's rights, including establishing Service Delivery Standards and drafting laws to supervise the performance of local tax administrations.
- Exercise taxpayer-segmented management and provide tailored services to taxpayers, particularly for large taxpayers.
- Draft tax revenue medium and long term forecasts and annual plans; carry out investigations of revenue sources; analyze and forecast tax revenues; carry out tax relief measures.
- Update IT strategies; plan for sustainable IT development covering mid-term and long-term; organize and expand the Golden Tax Project.
- Expand information exchange and international cooperation; engage in international and regional tax negotiations; sign and execute tax agreements and treaties.
- Handle import/export taxation and deal with export refund claims.
- Administer vertical management of state tax administration network. Conduct shared management with local governments of local tax administration network, including appointment/dismissal of General Directors of local tax administrations at provincial level.
- Accomplish other tasks assigned by the State Council.

Organizational Structure and Responsibilities of Tax Administrations at Provincial Level and Below

The organizational structure at provincial level and below consists of tax administrations at three levels, namely provincial, municipal and county. (See Table 1 and Figure 3)

Table 1 Organizational structure of state and local tax administrations at provincial level and below

Organization Hierarchy	Number	
	State Tax Administration	Local Tax Administration
Provinces, autonomous regions, municipalities directly under the central government, and municipalities with independent planning status	36	35
Sub-provincial cities	10	10
Cities with districts, autonomous prefectures and leagues	355	340
Districts in municipalities directly under the central government, and municipalities with independent planning status	143	109
Districts in cities with sub-provincial status	133	94
Counties, cities, districts, and banners	3019	2625

State tax administrations and local tax administrations are responsible for the collection of different taxes.

State tax administrations are responsible for the collection and administration of Value Added Tax (VAT), Excise Tax, Vehicle Purchase Tax; Corporate Income Tax (CIT) and Urban Maintenance and Construction Tax levied on the railway sector, the head offices of banks and head offices of insurance companies; CIT of enterprises invested into by the Central Government; CIT of joint ventures or joint equity enterprises set up by state/regional government-invested companies or public institutions; CIT paid by district banks and non-bank financial institutions; CIT and Resource Tax paid by offshore oil companies, etc.

Local tax administrations are responsible for the collection and administration of CIT paid by certain enterprises and public institutions, Individual Income Tax, Resource Tax, Environmental Protection Tax, Stamp Duty, Urban Maintenance and Construction Tax, Property Tax, Urban and Township Land Use Tax, Arable Land Use Tax, Deed Tax, Land Appreciation Tax, Vehicle and Vessel Tax, Tobacco Tax, etc.

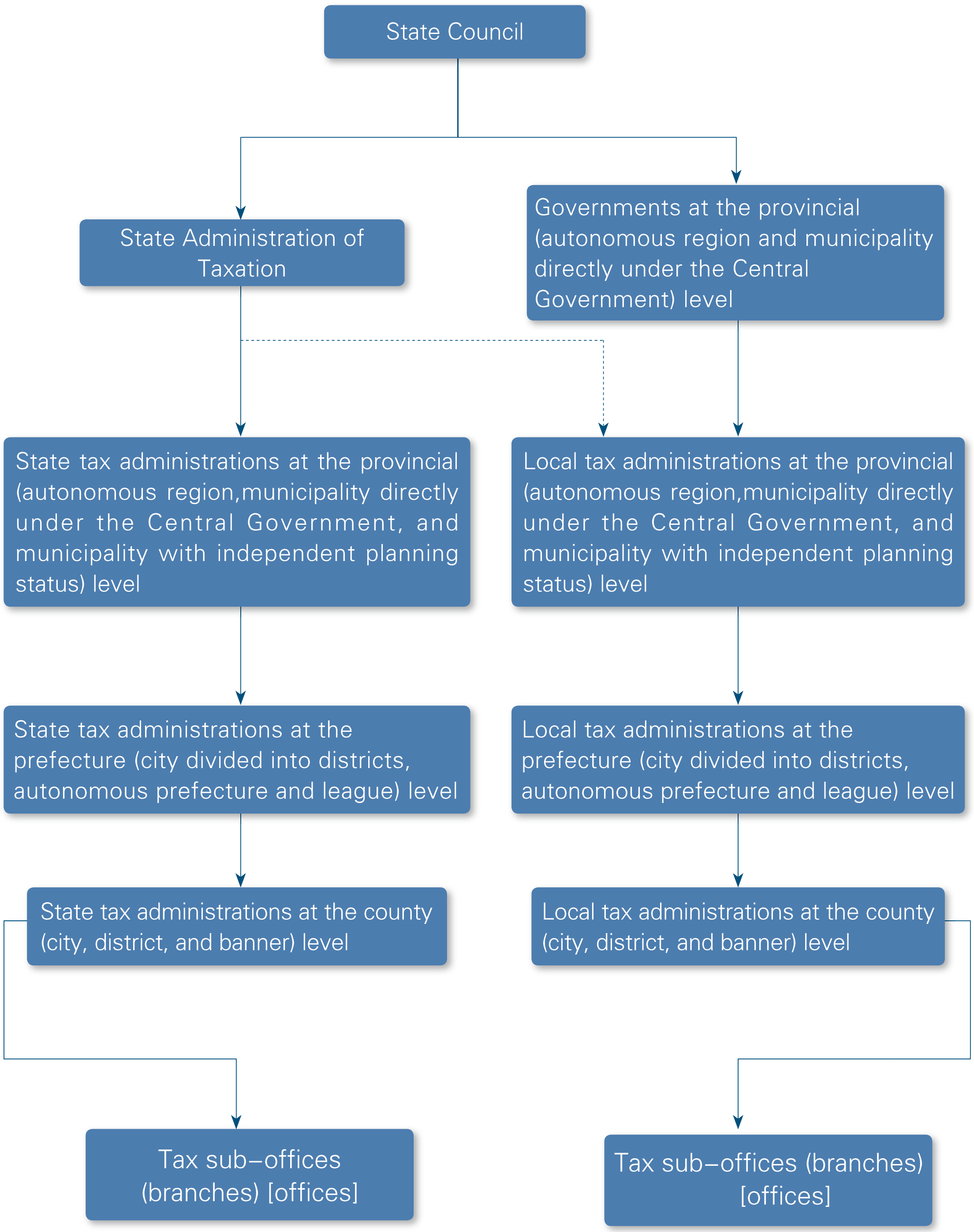

Figure 3 Organizational Chart of China's Tax Administration

Workforce Demographics

On 31st December 2017, there were about 753000 tax officials in service, with 1113 in the SAT headquarter, 397000 in state tax administrations and 356000 in local tax administrations.

Staff Composition of the State Tax Administrations (see Figure 4):

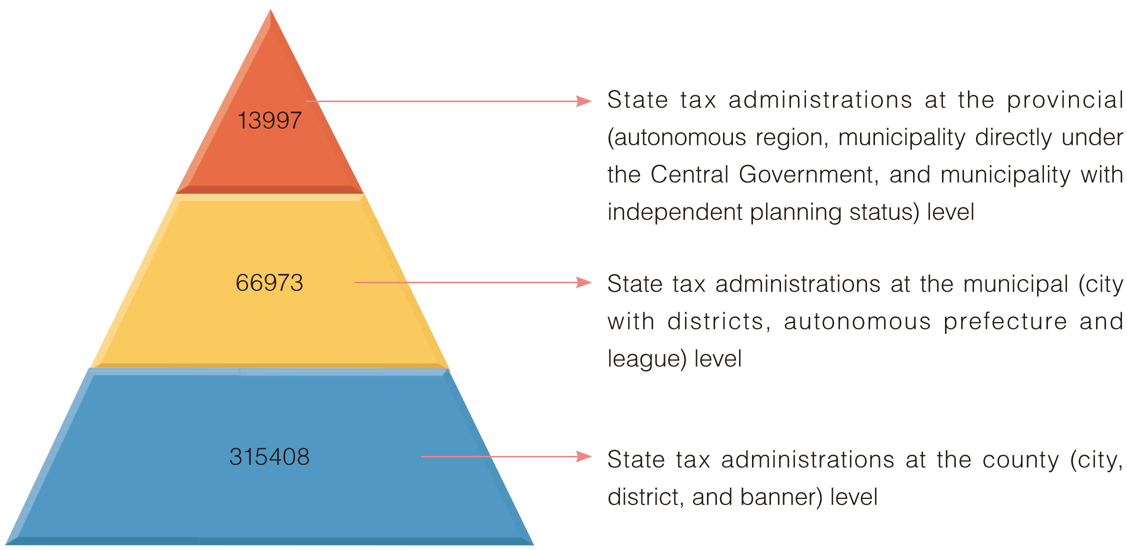

Figure 4 Workforce Demographics of the State Tax Administrations

Staff Composition of the Local Tax Administrations (see Figure 5):

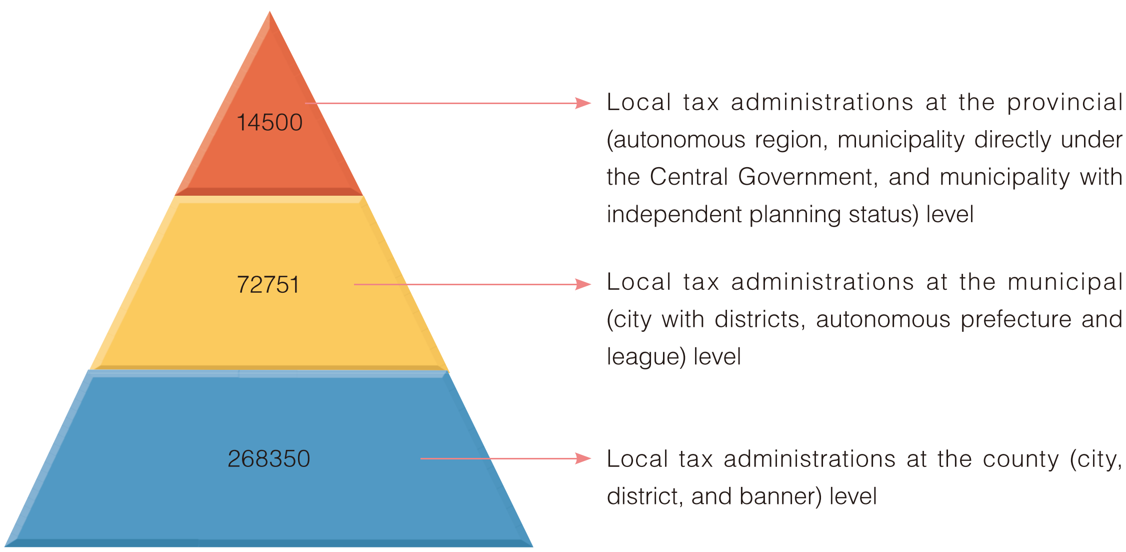

Figure 5 Workforce Demographics of the Local Tax Administrations

Tax System

◇ Current Tax System

◇ Tax System and Adjustments in 2017

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

Milestones

2006	Agricultural Tax, which had existed for over 2000 years in China, was abolished.
2007	Urban Land Use Tax Systems for domestic enterprises (DEs), foreign enterprises (FEs) and individuals were integrated.
2008	Corporate Income Tax systems for DEs and FEs were integrated.
2009	◆ Real Estate Tax systems for DEs and FEs were integrated. ◆ Fee–to–Excise Tax conversion on refined oil products was adopted. ◆ VAT transformation from a manufacturing–oriented to consumption–oriented system was completed. Enterprises were allowed to deduct the input VAT on purchasing machinery and equipment from their output VAT.
2010	Urban Maintenance and Construction Tax systems for DEs, FEs and individuals were integrated.
2012	Business Tax to VAT Pilot Reform was carried out in the transportation sector and certain modern services sectors in several regions.
2013	Business Tax to VAT Pilot Reform was extended to other parts of China.
2014	Business Tax to VAT Pilot Reform was further extended to the sectors of railway transportation, mail and telecommunications.
2015	Progress was made with the Business Tax to VAT Reform and Excise Tax Reform. Resource Tax was reformed to be levied on an ad valorem basis.
2016	Business Tax to VAT Pilot Reform was extended comprehensively to cover all goods and services. Resource Tax Reform on an ad valorem basis was enlarged in its coverage. *Environmental Protection Tax Law of the People's Republic of China*, as adopted at the 25th Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China, will come into force on January 1st, 2018.
2017	VAT rates were simplified with the rate of 13% abolished, which led to a structure of VAT with 17%,11% and 6%.The *Provisional Regulations of Business Tax of the People's Republic of China* was abolished. The provisional regulations of VAT of the People's Republic of China was revised. The *Corporate Income Tax Law of the People's Republic of China* was revised to give further support to donation for public welfare. The scope of pilot reform on Water Resource Tax was enlarged to 9 provinces (autonomous regions, municipalities directly under the Central Government) including Beijing. The *Enforcement Regulations of the Law of the People's Republic of China on Environmental Protection Tax* was issued. The *Law of the People's Republic of China on Tobacco Leaf Tax* and the *Vessel Tonnage Tax Law of the People's Republic of China* were approved by voting during the 31st Session of the Standing Committee of the Twelfth National People's Congress and will take effect from July 1st, 2018.

Current Tax System

There are 18 different kinds of taxes in China, which can be divided into three categories according to their nature. (See Table 2)

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

Table 2 Current Tax System

Serial Number	Taxes	Taxpayers	Subjects of Taxation (Basis of Taxation)	Tax Rates
Goods and Services Taxes				
1	VAT	Entities and individuals who sell goods or provide processing, repair and installation services, or those that sell services, intangible assets or immovable property, within China or those who import goods into China	Selling and importing goods; providing processing, repair and installation services; selling services, intangible assets or immovable property	Tax rates:17%,11%, 6% Collection rate: 3%,5%
2	Excise Tax	Entities and individuals that engage in producing, consigned processing within China, or importing taxable consumer goods into China	15 types of consumer goods such as tobacco, alcoholic drinks, cosmetics and refined oil products	Ad valorem tax, per unit tax, or combination of both

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Serial Number	Taxes	Taxpayers	Subjects of Taxation (Basis of Taxation)	Tax Rates
3	Vehicle Purchase Tax	Entities and individuals that purchase taxable vehicles within China	Purchase of cars, motorcycles, trams, trailers and agricultural carriers	10%
4	Customs Duty	Consignee of imports, consignor of exports, and owners of articles entering China	Goods allowed to be imported into and exported from China, and articles entering China	Ad valorem tax, per unit tax, or combination of both
Income Taxes				
5	Corporate Income Tax	Enterprises within China, including resident and non-resident enterprises	Taxable income received by resident and non-resident enterprises	25% for resident enterprises, and 20% and 25% for non-resident enterprises
6	Individual Income Tax	Resident taxpayers: Individuals with domicile within China, or individuals without domicile within China, but who live within the territory of China for one year	Income obtained from within and from outside of China	Progressive rates from 3% to 45% for the income from wages and salaries; progressive rates from 5% to 35% for the income from production and operation of self-employed producers and sellers; progressive rates from 5% to 35% for the income from operation of contracted and tenanted enterprises and public institutes; and a flat rate of 20% for other types of income
		Non-resident taxpayers: Individuals without domicile within China, and who live within the territory of China for less than one year	Income obtained within China only	

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

(continued)

Serial Number	Taxes	Taxpayers	Subjects of Taxation (Basis of Taxation)	Tax Rates
10	Arable Land Use 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%, purchase of houses under 90 square meters (including 90 square meters) by individuals, which is the only house of the household, is taxed at a preferential rate of 1% and purchase of houses above 90 square meters, the tax rate is 1.5%. purchase of the second houses under 90 square meters by individuals to improve living condition, the tax rate is 1% and purchase of houses above 90 square meters, the tax rate is 2%. Not applied to Beijing, Shanghai, Guangzhou and Shenzhen
12	Resources Tax	Entities and individuals engage in exploiting various taxable mineral resources or producing salt	Crude oil, natural gas, coal, other non-metal ores, ferrous ores, non-ferrous ores and salt	Ad valorem tax or per unit tax for different resources, for example, 5%–10% of the sales for crude oil and natural gas
13	Vehicle and Vessel Tax	Owners or managers of the taxable vehicles and vessels within China	Vehicles and vessels	Differentiated fixed amount tax

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Serial Number	Taxes	Taxpayers	Subjects of Taxation (Basis of Taxation)	Tax Rates
14	Stamp Duty	Entities and individuals who conclude or receive taxable documents in China	Taxable documents concluded or received	Flat tax rate or fixed amounts per document
15	Urban Maintenance and Construction Tax	Entities and individuals that pay value added tax, consumption tax and Business Tax	Amounts of value added tax, excise tax and Business Tax paid by taxpayers	There are 3 tax rates depending on the taxpayer's location, i.e. 7% (urban area), 5% (county towns, towns) and 1% (areas other than the urban area, county towns or towns)
16	Tobacco Tax	Entities that engage in the purchasing of tobacco leaves within China	Tobacco leaves purchased within China	20%
17	Vessel Tonnage Tax	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 *Schedule of Tax Items and Tax Amounts of Environmental Protection Tax* and the *Schedule of Taxable Pollutants and Equivalent Values* of the *Environmental Protection Tax Law of the People's Republic of China*	Governed by the *Schedule of Tax Items and Tax Amounts of Environmental Protection* Tax attached to The *Environmental Protection Tax Law*

* Since May 1st 2016, The VAT Pilot Program has been extended to cover all tax payers.

* The General Administration of Customs is responsible for the administration of Customs Duty and Vessel Tonnage Tax. It also takes the responsibility for the collection of VAT and Excise Tax on imported goods. The *Environmental Protection Tax Law of the People's Republic of China* will come into force on January 1st, 2018.

Tax System and Adjustments in 2017

» Simplifing tax rate structure of VAT

Since July 1st, 2017, the tax rate of 13% was abolished. The following items previously subject to tax rate of 13% are subject to 11%: agricultural products (including cereals) ,tap water, heating, liquefied petroleum, natural gas, edible vegetable oil, cool air, hot water, coal gas, coal products for residents, edible salt, agricultural machinery, fodder, farm chemical, agricultural film, chemical fertilizer, marsh gas, dimethyl ether, books, newspapers, magazines, audio and video products, E-journal, etc. With other rates remaining the same, there is the new structure with three tax rates of 17%, 11% and 6% after the reform.

» Continued preferential tax treatment for small-scale and low profit businesses

Since August 1st 2013, small-scale VAT and Business Tax taxpayers with monthly turnover below 20000 RMB have been temporarily exempted from their VAT and Business Tax liabilities, respectively. Between October 1st 2014 and December 31st 2015, the exemptions for VAT and Business Tax had been expanded to small-scale VAT and Business Tax taxpayers with monthly turnover ranging from 20000 to 30000 RMB. In 2015, this policy was further extended to the end of 2017. Since May 1st 2016, as the result of the Business Tax to VAT Reform, taxpayers previously paying Business Tax are subject to VAT. The small-scale VAT payers separately computing their revenue from the original VAT business, pilot Program of Business Tax to VAT reform business and intangible assets business are allowed to enjoy VAT exemption, when the revenue derived from those businesses is less than 30000 RMB. In 2017, this preferential treatment has been further extended to the end of 2020.

Before January 1st 2014, qualified small-scale and low profit enterprises with an annual taxable income of 60000 RMB or less were entitled to a reduction in CIT tax base of 50% and a preferential CIT rate of 20%. Since January 1st 2014, this preferential treatment has been granted to those with an annual taxable income of 100000 RMB or less. The benchmark was raised further to 200000 RMB or less on January 1st 2015, and to 300000 RMB or less on October 1st 2015. And to 500000 RMB or less on January 1st 2017.

» Revising corporate income tax law

The 26th Session of the Standing Committee of the Twelfth National People's Congress adopted upon revision the corporate income tax law. That part of the enterprise's expenditure of donation for public welfare which is more than 12% of its total amount of annual profit is allowed to be carried forward and to be deducted against the taxable income for the following three years.

» Improving tax preferencial policy to support technological innovation

From January 1st, 2017 to December 31st, 2019, R&D expenses incurred by medium and small-scale technology-based enterprises for the developing of new technology, product and process are allowed weighted deduction in computing corporate income tax. The proportion for the weighted deduction was raised from 50% to 75%.

Pilot tax policies concerning venture capital enterprises and angel investment individuals have been implemented in eight comprehensive innovation and reform areas including Beijing-Tianjin-Hebei, Shanghai, Guangdong, Anhui, Sichuan, Wuhan, Xi'an and Shenyang and Suzhou Industrial Park. From January 1st, 2017, besides medium and small-scale new and hi-tech enterprises, technology-based enterprises in their seed-stage and start-up stage, 70% of the investment is allowed to be deducted. From January 1st, 2017, besides the corporate venture capital enterprises and the legal partners of partnership venture capital enterprises, individual investors are also allowed to enjoy preferential policy.

From January 1st, 2017, the preferential policy of corporate income tax concerning technology advanced service enterprises has been applied nationwide.

» Imporving tax credit policy of overseas Corporate Income Tax

From January 1st, 2017, the enterprises have been allowed to choose the method to compute their overseas taxable income by either based on the source countries (regions) or based on the types of the income. The amount overseas income tax to be credited and the amount the credit limit are to be computed by applying stipulated tax rate.

» Deepening reform of Resource Tax, enlarging the pilot reform of Water Resource Tax

From December 1st, 2017, based on the experiences of pilot reform in Hebei, the pilot reform of Water Resource Tax has been extended to 9 provinces (autonomous regions, municipalities directly under the Central Government) including Beijing, Tianjin, Shanxi, Inner Mongolia, Shandong, Henan, Sichuan, Shaanxi and Ningxia.

» Promoting pilot program of deduction of commercial health insurance expenses when computing individual income tax

From July 1st, 2017, the pilot program has been promoted nationwide. The qualified commercial health insurance expenses incurred by individuals are allowed to be deducted against the taxable income of the same year (or month) at the limit of 2400 RMB for each year (or 200 RMB for each month)

» Extending some preferential policies

Some preferential policies to be expired by the end of 2016 have been extended to the end of 2019, including: i) As to the land owned by logistics enterprises for their warehousing facilities for bulk commodity, the urban and township land use tax is reduced to half of the applied tax amount. ii) The cable TV charges collected by radio and TV service enterprises are exempted from VAT. iii) The interest income of financial institutions from petty loans to peasant household is exempted from VAT. iv) As to some major groups including college graduates, people with difficulties in finding jobs, discharged soldiers, when they are starting a business, VAT, Urban Maintenance and Construction Tax, Education Surcharge and Individual (Corporate) Income Tax are to be reduced.

Revenue Statistics

◇ Tax Revenue in 2017

◇ Tax Revenue Growth (1993–2017)

◇ Tax Revenue by Tax Category

◇ The Ratio of Tax Revenue to GDP

◇ The Ratio of Tax Revenue to Fiscal Revenue

Since the fiscal reform in 1994, China's tax revenue has been rising steadily with the country's economic growth. The tax revenue increased from 507.1 billion RMB in 1994 to 15573.9 billion RMB in 2017, while the ratio of tax revenue to GDP grew from 10.5% in 1994 to 18.8% in 2017, providing a strong financial support to China's economic growth and prosperity.

Unless otherwise specified, tax revenues for the purpose of this report includes VAT and Excise Tax levied on imported goods by Customs without subtracting export refunds, but excludes Customs Duty and Vessel Tonnage Tax.

Tax Revenue in 2017

China's gross tax revenues in 2017 were 15573.9 billion RMB. 13970.3 billion RMB was collected by the SAT and 1603.6 billion RMB by the Customs authorities, accounting for 89.7% and 10.3% of the total respectively. (See Figure 6)

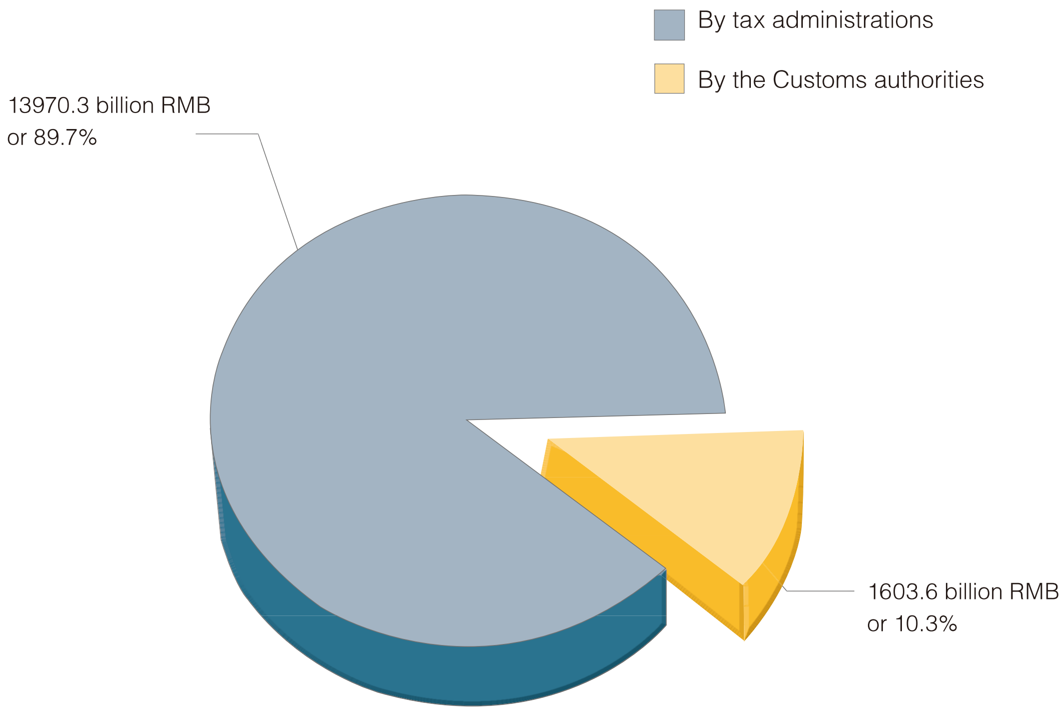

Figure 6 Tax Revenue Collected by Tax Administrations and the Customs Authorities in 2017

Tax Revenue Growth (1993–2017)

Calculated in comparable terms, tax revenue in 2017 increased on the previous year by 1523.5 billion RMB, an increase of 10.8%. (See Figure 7)

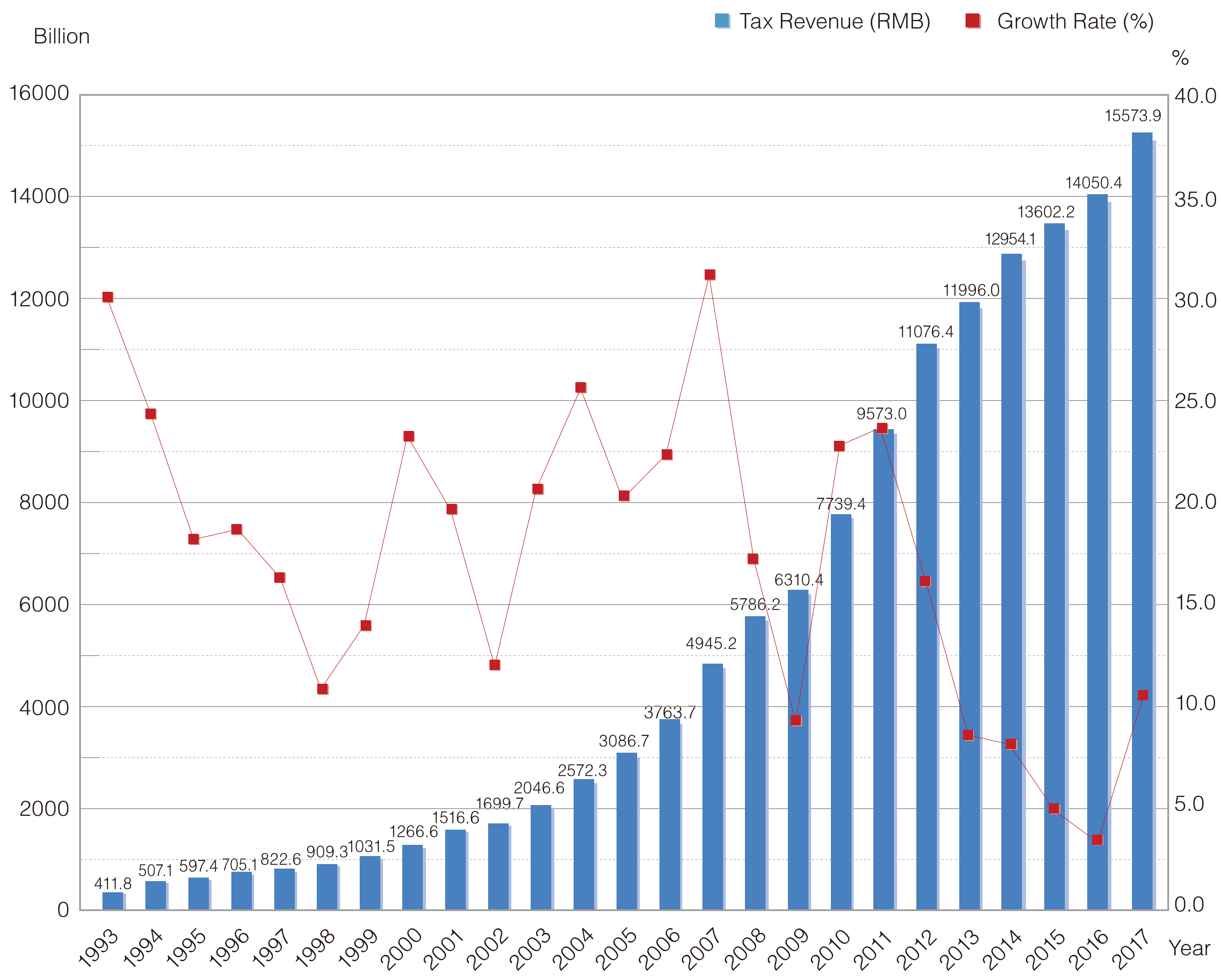

Figure 7 Tax Revenue Growth (1993–2017)

Tax Revenue by Tax Category

In 2017, the revenue from Goods and Services Taxes (GST) (including Vehicle Purchase Tax), Income Taxes, Property and Behavior Taxes were 8619.5 billion RMB, 4429.9 billion RMB and 2524.5 billion RMB respectively, making up 55.3%, 28.4% and 16.3% of the total tax revenues correspondingly. (See Figure 8)

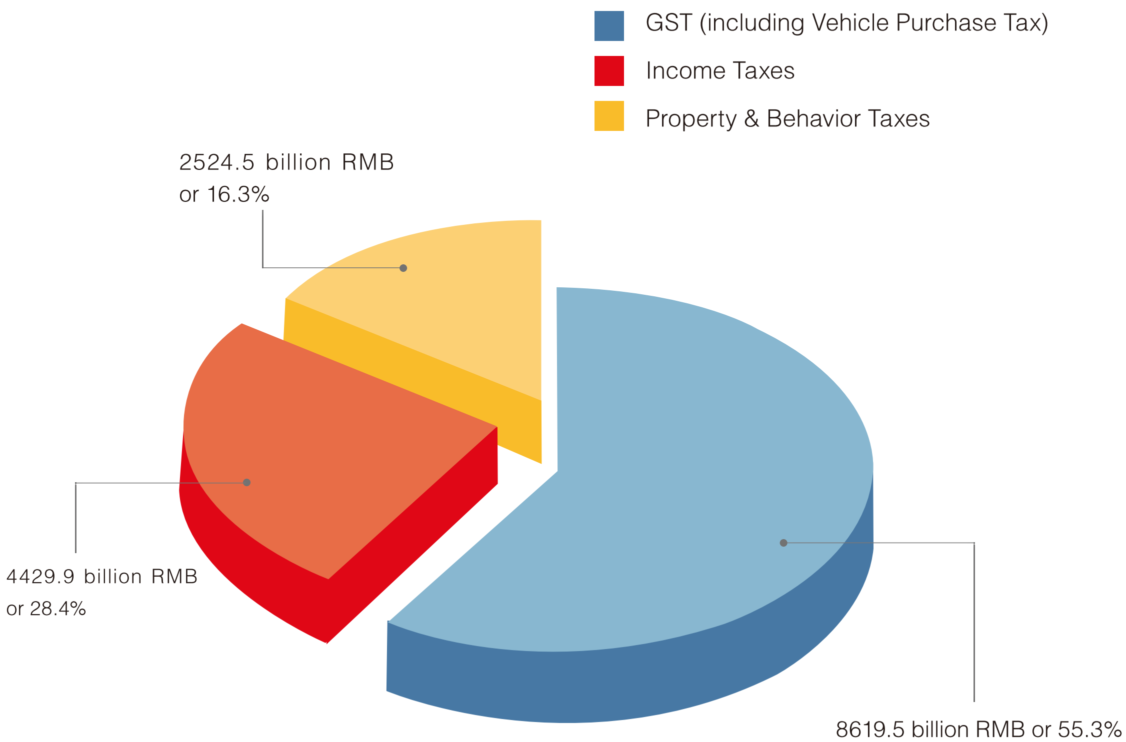

Figure 8 Tax Revenue by Tax Category in 2017

The revenue from Value Added Tax (VAT), Corporate Income Tax, Business Tax, Excise Tax, and Individual Income Tax were 7140.6 billion RMB, 3233.7 billion RMB, 35.6 billion RMB, 1115.2 billion RMB, 1196.1 billion RMB, making up 45.8%, 20.8%, 0.2%, 7.2% and 7.7% of the total tax revenues respectively. (See Figure 9)

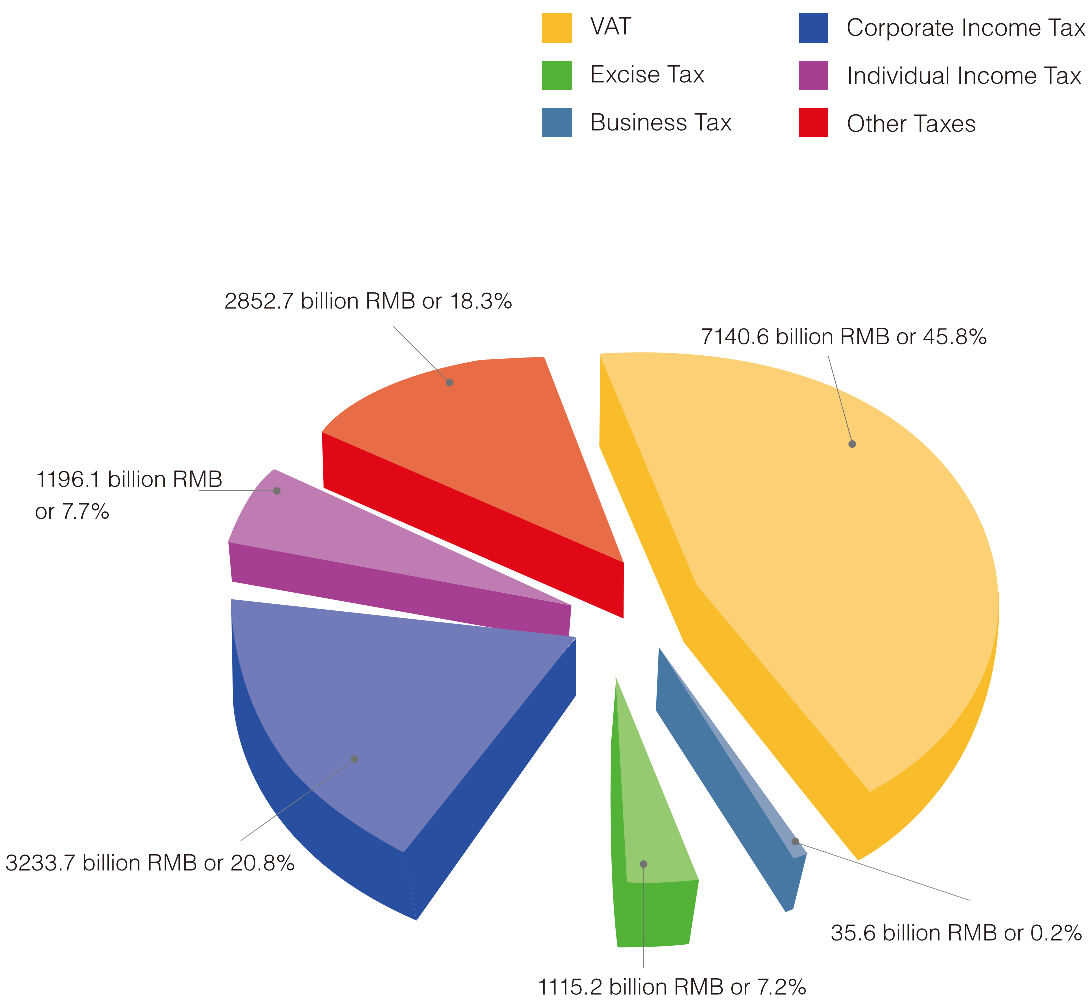

Figure 9 Tax Revenue by Tax Type in 2017

The Ratio of Tax Revenue to GDP

In 2017, the tax-to-GDP ratio was 18.8%. (See Table 3)

Table 3 The Tax-to-GDP Ratio (1978–2017)

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

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

The Ratio of Tax Revenue to Fiscal Revenue

In 2017, tax revenue (without subtracting export refunds) accounted for 90.2% of fiscal revenue. (See Table 4)

Table 4 The Ratio of Tax Revenue to Fiscal Revenue(1978–2017)

Year	Fiscal revenue	Tax revenue		Tax revenue (net of export refunds)		Tax revenue (net of VAT and excise tax on imported goods and export refunds)	
	Total	Total (Billion)	% of Fiscal revenue	Total (Billion)	% of Fiscal revenue	Total (Billion)	% of Fiscal revenue
1978	113.2	46.2	40.8	46.2	40.8	–	–
1993	434.9	411.9	94.7	381.9	87.8	–	–
1994	521.8	507.1	97.2	462.1	88.6	428.4	82.1
1995	624.2	597.4	95.7	542.5	86.9	502.8	80.6
1996	740.8	705.1	95.2	622.3	84.0	572.2	77.2
1997	865.1	822.6	95.1	779.3	90.1	721.6	83.4
1998	987.6	909.3	92.1	865.7	87.7	807.4	81.8
1999	1144.4	1031.5	90.1	968.8	84.7	864.7	75.6
2000	1339.5	1266.6	94.6	1185.6	88.5	1036.1	77.3
2001	1638.6	1516.6	92.6	1409.4	86.0	1244.1	75.9
2002	1890.4	1699.7	89.9	1573.8	83.3	1384.6	73.2
2003	2171.5	2046.6	94.2	1842.7	84.9	1563.4	72.0
2004	2639.6	2572.3	97.5	2152.4	81.5	1781.3	67.5
2005	3164.9	3086.7	97.5	2749.2	86.9	2327.2	73.5
2006	3876.0	3763.7	97.1	3335.2	86.0	2838.5	73.2
2007	5132.2	4945.2	96.4	4417.9	86.1	3802.3	74.1
2008	6133.0	5786.2	94.3	5199.6	84.8	4459.1	72.7
2009	6851.8	6310.4	92.1	5661.7	82.6	4886.9	71.3
2010	8310.2	7739.4	93.1	7006.7	84.3	5953.4	71.6
2011	10387.4	9573.0	92.2	8652.5	83.3	7291.8	70.2
2012	11721.0	11076.4	94.5	10034.7	85.6	8547.2	72.9
2013	12914.3	11996.0	92.9	10944.1	84.7	9539.8	73.9
2014	14035.0	12954.1	92.3	11821.1	84.2	10376.8	73.9
2015	15221.7	13602.2	89.4	12322.0	81.0	11060.4	72.7
2016	15955.2	14050.4	88.1	12876.1	80.7	11588.0	72.6
2017	17256.7	15573.9	90.2	14204.9	82.3	12601.3	73.0

Taxpayer Service

◇ Launching the "Spring Breeze" Project

◇ Standardizing Service Delivery

◇ Establishing the Tax Credit Rating System

◇ Increasing Tax Transparency

◇ Improving Convenience and Efficiency in Taxation Processes

◇ Protecting Taxpayers' Rights

◇ Pushing Forward the 12366 Service Center

◇ Issuing new regulations concerning the supervision on tax-related professional services

The idea that tax collection and administration should serve the needs of taxpayers was put forward in the National Conference on Tax Collection and Administration in 1990. Later, in 1997, providing high-quality taxpayer services was recognized as the cornerstone of tax administration in *The Blueprint for Deepening Reform of Tax Collection and Administrative Systems of State and Local Tax Administrations*. Furthermore, taxpayers' rights and interests were codified in *The Law on Tax Collection and Administration* in 2001.

A dedicated unit, the Taxpayer Service Department, was established within the SAT Headquarter in 2008. This practice was soon followed by tax administrations at provincial level and below.

In 2013, the SAT called on all tax administrations to trust, respect, serve and rely on taxpayers, thus integrating service delivery into the whole process of tax collection and administration.

The *National Taxpayer Service Protocol* was introduced by the SAT in 2015 to standardize tax service delivery all over China.

From 2014 to 2017, the "Spring Breeze" Project was launched to reinvent tax administrative examination and approval procedures and reduce the compliance burden.

Launching the "Spring Breeze" Project

From 2014, the "Spring Breeze" Project has been carried out for three consecutive years. 70 items of 21 types of measures have been put forward for the convenience of taxpayers, which have led to increased satisfaction and sense of gains of taxpayers nationwide.

In 2017, in order to deepen the implementation of streamlining administration, delegating more powers to lower-level governments and society, improving regulation and optimizing services and to actively reform the tax process to make it easier, versatile, cheaper and more efficient, the SAT exerted further efforts to implement the "Spring Breeze" Project and put forward 20 items of 5 types of innovative service measures (see Table 5) to make tax process more efficient, smarter, more convenient, fairer and more cooperative to further improve the sense of gain, satisfaction and compliance of taxpayers.

Table 5 New Measures of "Spring Breeze" Project in 2017

Theme	Measure
Speed up and alleviate burdens to be more efficient Innovate service to be smarter	1.to decrease waiting time
	2.to simplify information requirements
	3.to speed up processing of tax refund (exemption) for export
	4.to improve quality of tax returns filing
	5.to upgrade service platform
	6. to improve methods of invoice obtaining
	7. to develop methods of invoice issuing
	8. to implement electronic administration of outbound operation

(continued)

Theme	Measure
Work in targeted ways to be more convenient	9. to speed up tax processing on real name basis
	10. to implement reform of tax process
	11. to expand scope of tax processing in different places
	12. to expand hotline function of complaint
Enforce law justly to be fairer	13. to improve the procedures for law enforcement
	14. to innovate means of law enforcement
	15. to consolidate achievements of reform on business registration
	16. to strengthen management and application of tax credit
Cooperate and win together to be cooperative	17. to strengthen technologic support to taxpayment
	18. to deepen the cooperation on tax processing between state tax bureaus and local tax bureaus
	19. to expand the cooperation with the society
	20. to serve the national development strategy

Standardizing Service Delivery

Since March 2015, the *National Taxpayer Service Protocol* was established on a nationwide basis. This has improved the efficiency of tax item processing, reduced compliance burdens and diversified service channels to taxpayers, thus leading to better, more convenient and more consistent service delivery.

In recent years, based on the idea of facilitating, and standardizing services for, taxpayers as much as possible and according to the change of policy and feedback from tax officials and taxpayers, the *National Taxpayer Service Protocol* has been persistently revised, which now includes 1349 standards on 240 specific services in 9 categories.

Establishing the Tax Credit Rating System

With the introduction of the *Administrative Measures on Tax Credit Rating* (*Provisional)* and the *Tax Credit Rating Indices and Methods* （*Provisional*）, the SAT set up a preliminary system to rate taxpayers' credit based on their compliance history. In 2017, 8.82 million qualified taxpayers have been assessed on their tax compliance for the year of 2016, among which 709 thousand taxpayers, accounting for 8.04% of the total, are rated as A-level, whereas 605 thousand taxpayers, accounting for 6.86% of the total, are D-level.

Much importance has been placed on the application and use of the taxpayer ratings. Internally, A-level taxpayers are treated preferentially in tax affairs such as invoice processing, export refunds and other daily tax affairs, while D-level taxpayers are under stricter scrutiny when interacting with the tax administration. Consequently, the costs of tax collection have been cut effectively and the compliance level has been improved. Externally, the value-added application of the rating results has been extensively explored. 10 specific measures have been put forward by SAT and China Banking Regulatory Commission (CBRC) to comprehensively deepen the cooperation between tax authorities and banks. SAT and China Construction Bank (CCB) have implemented "online cooperation between banks and tax offices" on trial basis to further relief the financing difficulties for small and micro business.

The SAT actively participates in the construction of the social credit system with other government agencies and has signed 36 Memoranda of Joint Action to Stimulate Honesty and Punish Dishonesty with government agencies including customs, environmental protection, public security, and administration of food and drug. SAT and State Development and Reform Commission have signed *Framework Agreement on Credit to Explore the Cooperation on Credit*.

Increasing Tax Transparency

The SAT has made a broad range of improvements to become more open and transparent, including:

- adopting legislative measures to provide for better information disclosure by the tax administration;
- delivering on government information disclosure requirements on operations and tax affairs;
- making the disclosure of its operational procedures a norm by setting standards on information collection, examination and publication;
- updating public information in tax halls and on official websites in a timely, precise and comprehensive manner, such as policy and regulation changes, tax administration responsibilities, taxation procedures, conclusion of tax procedures and supervision methods.

Furthermore, the SAT has spared no effort to provide easier access for taxpayers to the latest tax policies by implementing a unified notice system, setting document templates and elaborating regulations with interpretations.

Innovative channels have been employed to increase the accessibility of the services delivered by the SAT, including websites, TV, hot lines, newspapers,Short Messaging Service (SMS), micro-blogs and WeChat.

Outreach activities and dissemination programs offer training programs both online and offline. These activities are conducted through channels such as the Taxpayer School, mobile phone Apps, videos, webcasts, etc.

Improving Convenience and Efficiency in Taxation Processes

The SAT has been working to improve the taxpayer service system, including: laying stress on the responsibility of the first-contact person in the service, setting time limits for processing, establishing an appointment system for tax matters, as well as providing extra-time service, complete notice and 24-hour self-service; extending physical taxpayer service halls through various means, establishing new service models to make the taxation process more convenient and adequate in its coverage. By the end of 2017, around 15000 taxpayer service halls had been established, among which over 1200 were providing a comprehensive array of services ranging from tax filing, and invoice processing to consulting.

The SAT has worked hard to simplify the taxation process. The goal is to avoid repeated visits by taxpayers to different tax offices. Taxpayer burdens from form filling have been reduced by implementing paperless service and filling-free services. Taxpayers are allowed to choose the location to process their taxation affairs as tax affairs can be processed anywhere within a given city or province and nationwide. "Package" services have been available for newly established enterprises and 10 tax-related matters including registration of VAT general taxpayers and invoice obtaining can be processed together.

The SAT has also made innovations in relation to online tax services. Taxpayers have easier access to invoices and invoice issuance through a combination of online and offline channels. Tax related information can be collected through Quick Response (QR) code. Self-service terminals have been widely deployed to handle various taxation matters. Presently, there are 28 thousand self-service terminals in China, nine thousand of which run 24 hours a day.

Protecting Taxpayers' Rights

The history of protecting taxpayers' rights in China started from 2001, when the *Tax Collection and Administration Law of People's Republic of China* codified 30 provisions as the legal basis for the protection of taxpayers' rights and the optimization of service delivery. In 2009, the SAT released the *Announcement on Taxpayers' Rights and Obligations*, which specified their rights and obligations in a stand-alone tax document. In 2013, the *Guidelines on Protection of Taxpayers' Rights* were circulated, which further clarified related regulations and standards and outlined the requirements on nine aspects: transparency in operational procedures, administration by law, effective communication, risk management, reduced compliance burden, information security, dispute resolution, administration of intermediaries and establishment of rights' protection organizations. In 2014, the SAT released the *Notice on Standardizing Tax Attestation Services and Prohibiting Compulsory Procuration for Tax Attestations* to standardize service delivery and working style.

In 2015, the SAT promulgated the *Announcement on Revision of Complaints Handling concerning Taxpayer Services*. In 2016, the SAT issued the *Notice on Improving the System of Complaints Handling* concerning Taxpayer Services to further standardize the handling of taxpayers' complaints. Taxpayers' comments and complaints will be handled in timely manner by integrating various channels to accept the complaints. Complaints handling mechanisms will be established and improved continuously.

In 2016, the SAT issued the *Notice on Further Standardizing Investigation of Taxpayer's Satisfaction* and the *Notice on Strengthening the Administration of Taxpayer's Requests* to further improve the work on the investigation of taxpayer's degree of satisfaction, the collection of and response to taxpayer's requests, which should further enhance taxpayers' degree of satisfaction and compliance level.

In 2017, the SAT carried out demand investigation on 320 thousand taxpayers and 110 thousand tax officials engaged in taxpayer service to understand the current tax-related demands of taxpayers and tax officials. On the bases of the investigation, the direction of future improvement of taxpayer service is determined, which will give strong drive to the construction of efficient and convenient system of taxpayer service.

International exchange on strengthening the protection of taxpayer's rights. Based on the information provided by International Bureau of Fiscal Documentation (IBFD) letter, the SAT analyzed the status quo of the protection of taxpayer's rights and laid foundation for the international organization's assessment on the protection of taxpayer's rights in China.

Pushing Forward the 12366 Service Center

The taxpayer hot line number "12366" came into public service in September 2001. It is now a main channel for consultation services provided by the tax administration.

In 2017, 12366 service centers responded to 49 million telephone inquiries, of which 31.66 million inbound calls were handled in person. (See Figure 10)

The SAT enhanced the professionalism of the new service centers by: i) developing "one" vision of world-class service delivery; ii) building up "two" levels of service centers at both national and provincial levels; iii) managing "three" administrative areas of taxpayers' expectations, knowledge library and skilled workforce; iv) implementing "four" measures of building websites, upgrading the hotline system, employing mobile apps and establishing a national center; v) positioning themselves as a platform with "five" dimensions comprising consultancy, outreach services, taxation processes, team building and showcase; and vi) enhancing taxpayers' satisfaction with the call center where taxpayers can "consult, check, watch, listen, reserve and solve" ("six functions").

On January 20th, 2017, SAT's 12366 taxpayer service platform started its online operation, which provides service including consultation, inquiry, education and tax-related matter processing. Till the end of 2017, this platform has been visited 5169 thousand times and 53482 pieces of information have been updated.

To facilitate "Internet + Public Service" and build service-oriented tax authorities by taking advantage of IT development, the SAT decided to update and improve 12366 taxpayer service platform by making full use of AI, big data, mobile internet and other information technologies to build a versatile and intelligent taxpayer service system which integrates hot line, online and offline and provides services through various channels and personalized service products. Up to March 2018, the upgrading and improving has been under implementation and the upgraded platform is to start its online operation by the end of 2018.

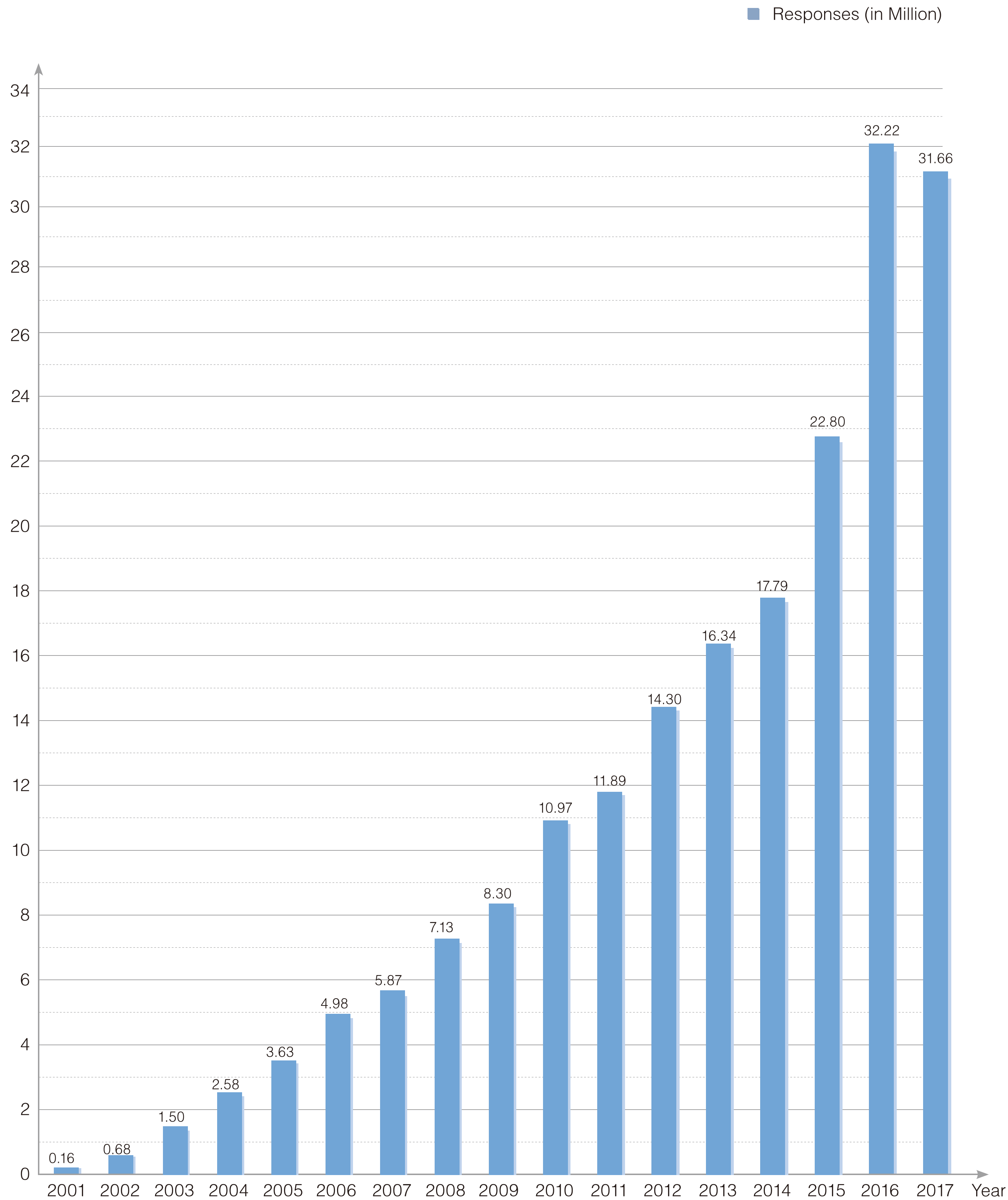

Figure 10 Answered Telephone Inquires by 12366 Service Center (2001–2017)

Issuing new regulations concerning the supervision on tax-related professional services

On May 5th, 2017, the SAT issued *Supervision Methods on Tax-related Professional Services (provisional)*, which signifies a significant innovation and breakthrough in this field.

Firstly, simplifing administrative procedures, delegating powers to lower levels and abolishing examination and approving for the purpose of overall opening of market of tax-related professional services. The examination and approval system which has lasted for many years has been changed and the requirements for market access have been called off. There is no longer any monopoly of the market of tax-related professional services by tax agents and their offices. This market is open to firms of accountants, firms of lawyers, agency account organizations, tax agency companies and finance and tax consulting firms. Secondly, innovating means of supervision and focusing on supervision of in-between stage and post stage. Various measures have been adopted comprehensively, including administrative registration, management on the basis of real name, business information collection, check and investigation, announcement and push, credit assessment, risk management and so on. Thus forms a supervision system covering the whole process with evaluation afterwards. Thirdly, focusing on service orientation to improve the sense of gain of tax-related professional service organizations and taxpayers. The new regulations require the tax authorities to provide the tax-related professional service organizations (personnel) with convenient and efficient services through various measures to make them operate by complying with the laws, and the taxpayers will be able to choose the tax-related professional services freely and trustingly.

The issuance of new regulations will contribute to the fundamental standardization of the market of tax-related professional services, the expansion of tax-related professional services, and give full play of the roles of the tax-related professional service organizations in such aspects as optimizing taxpayer service and improving the efficiency of tax collection and administration.

Tax Collection and Administration

- ◇ **Compliance Risk Management**
- ◇ **Large Business Taxation Administration**
- ◇ **International Taxation Administration**
- ◇ **Tax Inspection**
- ◇ **Export Refund Management**

Between 1949 and the mid-1980s, the "tax administrator" system was developed. A key feature of this system was that it appointed one local tax administrator with over-arching responsibilities of tax collection, administration, and investigation to several corporate taxpayers in his region. After the mid-1980s, the Chinese tax administration was restructured, adopting a functional model comprising collection, administration and investigation. The fiscal reform, setting up the dual tax administration at sub-central levels in 1994, ignited a series of tremendous changes to tax administration. In particular, the taxpayer-oriented tax administration model proposed in 1997 was intended to leverage computer networks, administrative centralization and targeted investigations. Gradually, a new balance was struck between collection, administration and investigation.

Since the start of the 21st century, the SAT has further deepened the reform of tax administration. Compliance risk management and taxpayer-segmented administration have been implemented, which greatly enhanced the quality and efficiency of tax administration.

The *National Tax Administration Standards (Version 1.0)* was put to trial use across the country in 2015 established standards of internal operations, processes, time limits and documentations relating to tax settlement, thus generally standardizing the tax administration system.

In 2016, the SAT upgraded and improved the *National Tax Administration Standards (Version 1.0)* and specified 610 standards for 11 categories of tax affairs. The upgraded version of the *National Tax Administration Standards (Trial Version 2.0)* was piloted in several provinces. The *Taxpayer-Segmented Administration Measures* were developed and implemented, under which risk management approaches are adopted to segment the taxpayers, allocate tax affairs responsibilities to different levels of tax offices taking into account their comparative advantages. Differentiated and escalated approaches are adopted to manage the tax affairs according to the tax rating and the category of taxpayers, thus improving the overall efficacy of tax administration.

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

Compliance Risk Management

The variety of information types obtained from many sources and through different channels helps the Chinese tax administration to keep taxpayers on their radar. The risk management approaches adopted by the Chinese tax administration include risk identification, risk prioritization, risk treatment, process monitoring, evaluation and feedback, constituting a closed loop. (See Figure 11)

Tax returns filed by taxpayers are fed through the risk identification and analysis program. This was installed with analysis tools including built-in indicators and industry models so that tax administrations can regularly identify and analyze the potential risks of taxpayers. High-risk taxpayers from whom tax revenues are potentially drained away are classified based on their risk ratings. For low-risk taxpayers, tax administrations would take measures such as sending risk alerts to urge them to prevent risks or revise their returns. For high and medium-risk taxpayers, tax administrations will adopt an array of measures to control risk, including tax assessment, tax audit, anti-avoidance audit, and tax inspection. Meanwhile, tax administrations will correspondingly improve risk identification and treatment strategies on an on-going basis after evaluating risk management processes.

In 2017, the SAT deployed risk management functions such as cross-regional tax risk management collaboration, by relying on the core tax collection system, the big data cloud platform and the decision support risk management system in Golden Tax Project III, aiming to open up channels of information sharing and administrative assistance on important tax risks across regions and between state and local tax offices, so that lists of irregular households, D-class companies, and tax-owing taxpayers are shared across regions and between SAT offices and local tax bureaus. Collaborations are made on risk alerts, intelligence forwarding, and risk audits to form cross-regional risk management synergy, and to shift from post-event treatment to during-the-event intervention when it comes to responding to cross-regional and cross-industry tax risks, which effectively improved the tax compliance of taxpayers.

Figure 11 Risk Management Process

Large Business Taxation Administration

In December 2015, the General Office of the CPC Central Committee and the General Office of the State Council promulgated the *Blueprint for Deepening the Reform of Tax Collection and Administrative Systems of State and Local Tax Administrations*, setting out the reform requirements for large business service and administration. The SAT responded swiftly by designing a series of regulations and rules. As for the large businesses that operate across the provincial and national borders, basic tax affairs remain the responsibility of the tax office in the jurisdiction where the large business is located. However, matters such as risk analysis are centralized at the provincial office or the SAT headquarter level, on the precondition that no changes are made to the hierarchy of revenue payment into the National Treasury. The centrally analyzed results are then fed to the corresponding tax office for risk-based follow up.

In 2017, tax administrations further promoted reforms on taxpayer service and tax administration of large businesses, improved the institutional mechanisms, innovated business models, strengthened the IT development and capacity-building, and focused on the Top 1000 Corporations to comprehensively enhance tax risk analysis, economic analysis and taxpayer service levels.

» Improving the Large Business Taxation Administration Mechanism

Most provincial tax authorities have adjusted the unit functions without making changes to the number of units; they have set up one or two full-fledged tax collection and administration units to carry out overall analysis of large businesses, which has effectively implemented the analysis mechanism at the SAT headquarter and provincial levels. The administrative model of Top 1000 Corporations has become more standardized with the quality and efficiency significantly improved.

» Innovative Risk Management Model for Large Businesses

The tax authorities have steadily improved the data quality of Top 1000 Corporations, initially established the Large Business Tax Administration Platform, comprehensively upgraded the risk analysis index system, and continuously improved the accuracy of tax risk analysis of the Top 1000 Corporations and the specialization of risk treatment.

» Building Large Business Tax and Economic Analysis Brand

The SAT has set up an economic development monitoring platform, which keeps track of the operations and economic trends of large businesses. To cope with important economic and taxation issues, data and information have been analyzed, and in-depth reports on supply-side structural reform, strategic emerging industries and reform of State-owed Enterprises have been released. All of these measures have helped to present China's economic development and outcomes from the taxation perspective.

» Improving the Efficiency and Efficacy of Services to Large Businesses

The SAT has formulated 18 specific measures to deepen taxation services for large businesses and has carried out full deployment of taxation services. Through elevating the service to large businesses and establishing a coordinated working mechanism on tax-related issues, businesses no longer need to visit tax offices for multiple times or visit multiple tax authorities. By holding salons, dialogues and in-depth visits between tax authorities and enterprises, a cooperative governance system has been set up, which proves to be effective.

International Taxation Administration

In the international tax arena, the Chinese tax administration has continuously enhanced international tax management, as required for further development of an open economy.

» Preventing and Cracking Down on International Tax Evasion and Avoidance

Following the guideline of "finding the most appropriate pro-growth tradeoff between promoting economic growth and cracking down on international tax evasion and avoidance", the SAT, focusing on safeguarding the tax base, promoting economic cooperation and optimizing business environment, has continued to improve the triad anti-avoidance system of "administration, service and audit" to provide a fair, transparent, predictable tax environment for free trade and investment.

In 2017, the SAT further participated in the formulation of international tax rules in the post-BEPS era. It actively promoted the transformation and implementation of the BEPS outcomes in China, further improved the domestic anti-avoidance laws and regulations, and promulgated the *Measures for the Administration of Special Tax Adjustment and Mutual Agreement Procedures*. Drawing on the relevant reform proposals of BEPS outcomes, the SAT fully embodies the core spirit of G20's international tax reform, i.e. "Profits are taxed where economic activities take place and value is created," and systematically elaborates important concepts such as location specific advantages and the analysis of the benefits of related-party services, which fully conforms to the reality of China, international rules, and the operational reality of transnational businesses.

» Advancing Bilateral Advance Pricing Arrangements (APA) and MAP

In order to eliminate international double taxation, the SAT has been actively engaged in APAs and MAP. In 2017, it signed 11 bilateral APAs and made 12 transfer pricing corresponding adjustments, eliminating international double tax exposures of 1.208 billion RMB for multinational enterprises.

» Improving Tax Policies and Tax Administration of Non-Residents

In recent years, the SAT focusing on serving reform and opening up while safeguarding national interests, has worked to improve tax policies and strengthen administration and services. The non-resident tax administration system is improving day by day. In 2017, the SAT worked together with the MOF, the National Development and Reform Commission, and the Ministry of Commerce to refine and clarify the tax policy on temporary exemption of income withholding tax on overseas investors' direct investment in the form of profit distribution, and timely introduced supporting measures to increase foreign investment. By deepening the reform of "delegating power, streamlining administration, and optimizing government services", China optimized the withholding regime for non-residents, simplified the tax procedures, and provided conveniences for the voluntary compliance of taxpayers and withholding agents. We have continued to strengthen the risk management of non-residents with key types of income, promoted coordination between SAT offices and local tax bureau, improved the IT system of international taxation, shared information with the foreign exchange authorities, and improved the information monitoring mechanism for cross-border transactions.

In 2017 the SAT collected 187.572 billion RMB taxes from non-resident enterprises, with a year-on-year increase of 7.6%.

» Upgrading Tax Administration and Services for Outbound Investment

In 2017, as part of its efforts to upgrade tax administration and services for outbound investment, the SAT refined the measures to facilitate the implementation of the "Belt and Road" Initiative from the tax perspective. It accelerated the conclusion and revision of Double Taxation Agreements (DTAs), and improved the international tax law guarantees for outbound investment. It helped businesses with overseas operations settle tax disputes and deal with double taxation exposures through MAP between competent authorities. It also explored a variety of channels, namely the official website, 12366 hotline, newspapers, brochures, tax service halls to brief the taxpayers on tax treaties, taxation policies on outbound investment, resolution of tax disputes and countermeasures. It also published *Tax Guidelines for Outbound Investment* and 59 countries and regions-specific tax guides for investment, and provided tax policy consultancy to outbound investors. It continued to deepen international cooperation, actively cooperated with and deeply participated in the "Belt and Road" Initiative International Cooperation Forum, strengthened bilateral tax cooperation with the "Belt and Road" countries, and explored the establishment of a long-term mechanism for multilateral tax cooperation under the "Belt and Road" Initiative. It helped developing countries in capacity building and created a sound administrative environment for corporations with overseas operations. The SAT also established the tax administration system for outbound investment on the basis of risk management, providing tax-related risk alerts to outbound investors so as to improve their compliance.

Tax Inspection

In 2017, tax inspection bureaus at all levels severely cracked down on various tax crimes, carried out inspection reforms, pushed ahead with IT application to tax inspection and built up a contingent of honest and efficient tax inspectors. In 2017, 177.1 billion RMB out of 192.2 billion RMB worth of tax adjustments was collected by tax inspection bureaus at all levels.

» VAT Refund Fraud and False Invoices

Tax inspection bureaus at all levels have pushed ahead with rectification in key industries based on specific issues involved, and severely cracked down on fraudulent taxes and false invoices, yielding remarkable results. In 2017, 68.6 thousand companies were inspected on tax fraud and false invoices. The combat on tax fraud and illegal tax refund recovered 20.726 billion RMB in taxes, up by 3.021 billion RMB or 17.1% over the previous year. False invoices worth 120.545 billion RMB were identified, up by 18.075 billion RMB or 17.6% over the previous year.

» Targeted Sectors and Regions

In 2017, 5151 enterprises in certain industries were inspected by tax inspection bureaus at all levels with 2.452 billion RMB in additional taxes raised. As for old and waste materials enterprises, 1,070 enterprises were inspected from which 3.487 billion RMB in additional taxes were raised. In the pharmaceutical sector, 3198 enterprises were inspected with 25.066 billion RMB in additional taxes were raised. In the agricultural produce purchasing and processing industry, 471 enterprises were inspected with 1.358 billion RMB in additional taxes were raised.

» Random Inspection

In addition to those tax crimes investigated and prosecuted as a result of obvious leads, tax authorities at all levels carried out random tax inspection. The inspection of 40 group corporations, which fell under the key targets of the SAT second round of inspection, came to a close as scheduled, 36000 group entities were guided through self-inspection, and 8500 entities were investigated. These efforts recovered a total of 46.614 billion RMB in additional taxes and interest.

» Invoice-Related Crimes

In 2008, a National Joint Task Force comprising of officials from tax, public security and finance administrations was set up to organize and coordinate campaigns against invoice-related crimes. Different units in different regions coordinated to combat such crimes nationwide.

In 2017, a total of 147.2 thousand cases of invoice-related crimes were investigated and prosecuted. The tax authorities confiscated 18365 thousand illegal invoices and raised RMB 64.84 billion in additional taxes. Table 6 below demonstrates the achievements of the campaign against invoice-related crimes from 2009 to 2017. (See Table 6)

Table 6 Results of Campaigns against Invoice-related Related Crimes (2009–2017)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Cases (in Thousand)	21.8	44.4	90	110	91	102	95.2	123.9	147.2	825.5
Number of invoices (in Million)	92	660	350	135	130	64	31	15	18	1495
Criminal Dens involved	1498	3291	4771	1388	1414	3000	2678	439	1765	20244
Criminal groups involved	844	1593	400	660	549	432	382	580	1584	7024
Number of Illegal Co. Examined (in Thousand)	28.3	74.8	80	100	89	99	92.7	122	143	828.8
Losses Recovered (in Billion RMB)	1.696	4.59	7.1	10.151	13.8	12.9	18.021	24.882	64.84	157.98

» In-depth Launch of "Blacklist" and Joint Punishment System

In accordance with the *State Council Guidance on Developing Joint Incentives and Punishment Regime for Honest and Dishonest Behaviors and on Pushing Forward Social Credibility Development* and *Guidance on Maintaining the Lists of Honest and Dishonest Citizens*, tax inspections bureaus at all levels have contributed to building the punishment landscape in China where "dishonest with one authority will result in restrictions everywhere". In January 2017, the SAT signed a new *Memorandum on Joint Punishment of Blacklisted Dishonest Businesses (2016)*, expanding the government agencies involved from 21 to 34 and the punishment measures from 18 to 28. In June 2017, the SAT signed the "Coordinated Credibility Cooperation Framework Agreement" with the National Reform and Development Commission, further improved the joint punishment regime, and played its part in tax, social and national governance. By the end of 2017, 4228 blacklisted cases were published by tax authorities at all levels, and 7294 blacklisted cases were accumulatively published, and 90.1 thousand entities were referred to relevant authorities for joint punishment. Of all the blacklisted businesses published across the country, 998 have voluntarily paid taxes, interests and penalties, and were then removed from the published blacklist.

» Steady Launch of Various Reform Measures

The SAT issued the *Notice on Further Promoting the Supervision of "Double Randoms and One Public" Work* to further improve the inspection mechanism and maintain the fairness of taxation. It also issued the *Internal Control System for Tax Inspection Risks (Provisional)* to further regulate inspection and enforcement, and prevent enforcement, administrative and integrity risks. The cooperation mechanism between police and tax authorities were improved, and police liaison offices were set up in tax authorities at all levels.

» Improvement of Tax Inspection Laws and Regulations

As part of the tax inspection system, The *National Tax Inspection Standards (Version 1.0)* was released to give guidance to tax inspectors on proper, standardized, efficient enforcement activities, and to protect taxpayers' lawful rights and interests. The *Administrative Measures for the Tipoff of Tax Crimes* was revised to safeguard the legitimate rights and interests of the parties, standardize and improve the efficacy and efficiency of the tipoff work. The SAT has actively promoted the establishment and application of the effective and efficient tax inspection system in China.

» IT Application to Tax Inspection

The SAT pushed ahead with the application of new IT systems to tax inspections; it optimized the inspection features in the Golden Tax Project Phase III to promote inspection standard. It employed the big data for case selection and analyzed value-added applications to improve the inspection accuracy. In addition, the SAT put into use the two randoms platform to enable IT-based random inspection. It also upgraded the Serious Tax Crimes Publication System and Assisted Inspection System. Moreover, the SAT explored to establish "Inspection Case Monitoring and Management Platform", "Big Data Case Selection and Analysis System" and "Inspection Case Video Command System".

Export Refund Management

In 2017, the SAT implemented a paperless pilot project for export refund (exemption), optimized the management of tax refunds for comprehensive foreign trade service companies, improved the R&D institutions' VAT refund management measures for purchases of domestic equipments, carried out the management of departure tax refunds, and strengthened information sharing and joint supervision with other government agencies. It handled the export refund to businesses in a timely and accurate manner so as to relieve the pressure on the investment of the export enterprises and support the sustained, stable and healthy development of foreign trade. The tax authorities across China processed a total of 1369 billion RMB in export refunded (exempted) taxes with a year-on-year increase of 16.6%.

» Promoting a Paperless Pilot Project for Export Refund

In order to further optimize export refund services and accelerate the refund process, the SAT issued in May 2017 the *Notice on Further Promoting the Pilot Work of Paperless Return on Export Refund (Exemption)* to implement paperless pilot project for export refund (exemption) across the country. As of the end of 2017, 35 provinces and cities across the country have launched the pilot project.

» Optimizing the Management of Tax Refunds for Comprehensive Foreign Trade Companies

To promote the healthy development of comprehensive foreign trade service enterprises and establish an export refund management mode that is compatible with the development of the enterprise, the SAT issued in September 2017 the *Announcement on Adjusting and Improving Matters Relating to the Refund (Exemption) of Export Goods by Comprehensive Foreign Trade Enterprises*, which changed the entity of refund from comprehensive service enterprises to production enterprises and made the comprehensive service enterprise bear joint and several obligations rather than entity responsibility.

» Improving the R&D Institutions' VAT Refund Management Measures for Purchases of Domestic Equipments

In order to standardize the tax refund of R&D institutions for procurement of domestic equipments, in March 2017, the SAT issued the *Announcement on the Release of the Administrative Measures on VAT Refund for the Purchase of Domestic Equipment by R&D Institutions*, adding the contents of processing and approval of applications for filing extensions and criteria to determine that foreign-funded R&D center no longer meets the qualification requirements for tax refund due to changes in its own conditions. It further standardized the tax refund of R&D institutions purchasing domestic equipments.

Carrying Out Departure Tax Refund-related Work

1. Expansion of Scope

In 2017 Xinjiang, Henan, Ningxia, Hunan, and Gansu provinces started to implement the departure tax refund policy. As of the end of 2017, a total of 22 provinces and cities across the country have implemented the policy.

2. Introduction of the unified Overseas Tourists Tax Refund Information Management System

In order to strengthen and improve the management of departure tax refunds and to ensure all tourists can claim refund at the time of departure timely, the SAT has developed the unified Overseas Tourists Tax Refund Information Management System. In November 2017, the system was launched across the country. Overseas travelers shopped in tax refund shops in any cities can claim and have their tax refund processed at any departure port, improving the Internet service level in terms of departure tax refund and providing conveniences to overseas tourists.

» Improving the Information Sharing and Supervision Collaboration with the General Administration of Customs

To expedite information exchange, supervision recognition and enforcement assistance between government agencies, in April 2017, the SAT re-signed with the General Administration of Customs the *Memorandum of understanding on Joint Advancement of Information Sharing Mechanism*, which expanded the scope and intensity of information sharing.

» Building Standard Version of "Single Window" System for International Trade

As one of the members of the State Council's Inter-ministerial Joint Meeting on Port Work, the SAT actively cooperated with the Port Office to research and formulate data standards and technical implementation plans for qualification applications and cross-regional trust, promoted the establishment of a "single window" system and introduced export tax refund declaration function in the "single window".

Development of IT-Based Taxation

◇ **VAT Administration Information System**

◇ **Golden Tax Project Phase III**

The IT development in taxation started from scratch in the 1980s. Rapid development ever since has helped the SAT build an existing integrated and web-based information system.

The current SAT information system consists of the VAT Administration Information System and the Golden Tax Project Phase Ⅲ.

VAT Administration Information System

In 1994 China unveiled its VAT reform as part of its tax reform agenda. To strengthen the administration of VAT special invoices, the SAT launched a pilot program to employ an anti-counterfeiting tax control system and the computerized cross-checking system in some regions. This inaugurated the Golden Tax Project Phase I, which has played an active part in improving VAT administration.

On the basis of experience and lessons learned from the Golden Tax Project Phase I, the SAT started the Golden Tax Project Phase Ⅱ in 1998. Four sub-systems under the anti-counterfeiting tax control system came into operation for the processes of invoicing, e-certificates, cross-checking and investigation in 2001. By July 2003 all of the general VAT taxpayers (above a specified turnover threshold) across China were covered by the anti-counterfeiting tax control system, which marked the successful conclusion of the Golden Tax Project Phase Ⅱ. With the systematization and standardization of VAT administration, the crimes with respect to counterfeited VAT invoices have decreased and VAT administration has become more effective and efficient.

Based on the Golden Tax Project Phase Ⅱ, the SAT has exerted further efforts to develop an IT-based VAT administration. At present, the VAT Administration Information System is a circular system composed of six sub-systems, which control invoicing, e-certificates, filing, cross-checking, verification and referral investigation respectively (see Figure 12). The system has helped in enhancing the efficiency of VAT administration, improved the quality of the taxpayer service, reduced the cost of collection, and prevented tax loss. It has also contributed significantly to the goals of maintaining a steady stream of VAT revenues, building a level playing field and maintaining steady growth of tax revenues in China.

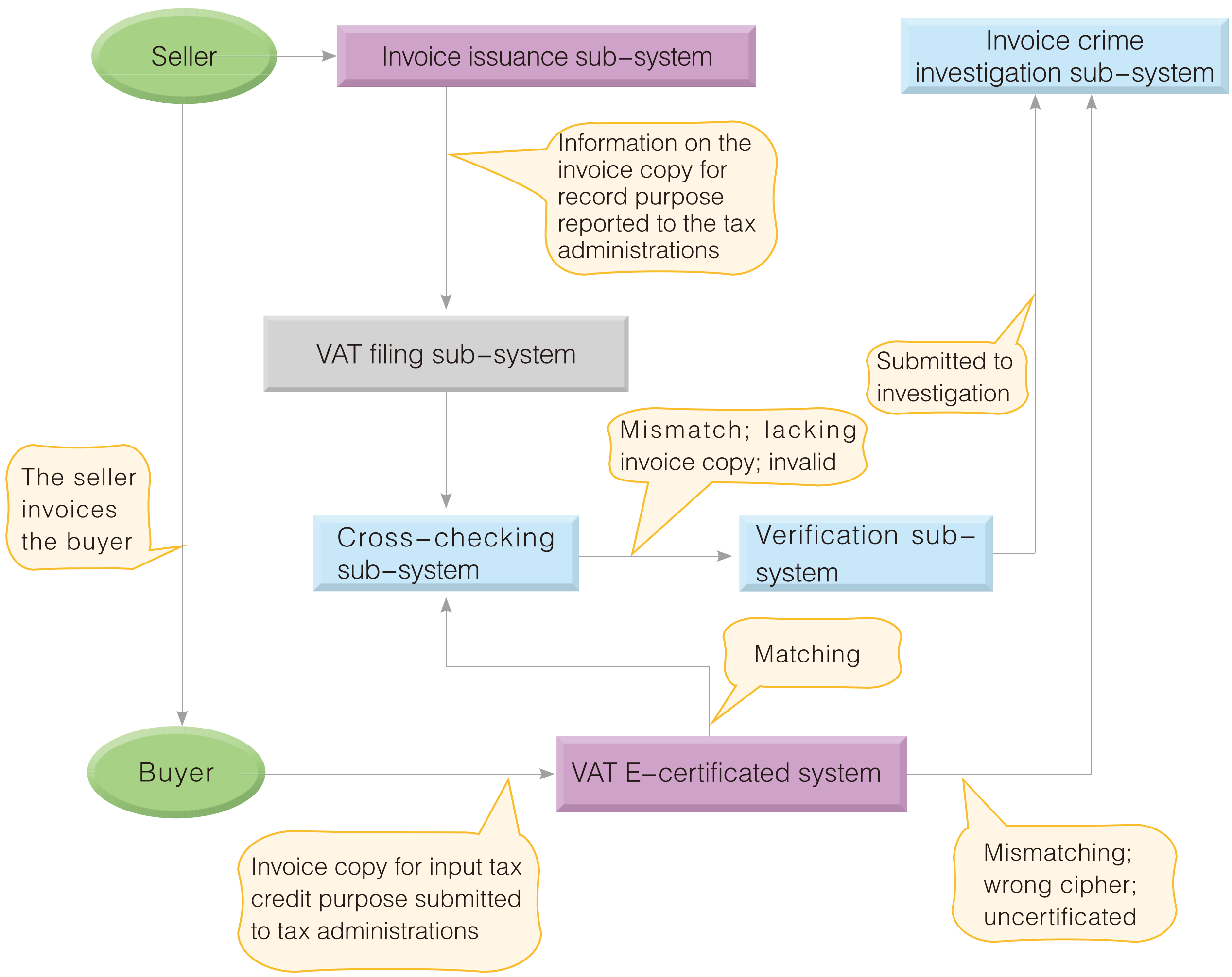

Figure 12 VAT Administration Information System

» The VAT Administration Information System consists of six sub-systems:

- The anti-counterfeiting invoicing sub-system. It employs the numerical code and electronic information storage techniques to increase the system's capability to detect false VAT invoices. It helps the tax administration to obtain a correct understanding of the seller's invoicing information, so that tax revenues are monitored and controlled at source.

- The anti-counterfeiting e-certificate sub-system. It scans, deciphers and compares the ciphered and plain texts on VAT invoices to authenticate the invoice. The data are then fed into the cross-checking sub-system or the invoice crime investigation sub-system.

- The anti-counterfeiting filing sub-system. It reviews the invoice information submitted by taxpayers and feeds it into the cross-checking sub-system.

- The cross-checking sub-system. It compares the VAT invoice information from the buyer with that from the seller online.

- The verification sub-system. It verifies and handles the mismatched VAT invoices selected and fed by the cross-checking sub-system, and refers the invoices suspected of tax evasion and fraud to the invoice crime investigation sub-system.

- The invoice referral investigation sub-system. It refers the invoices that are suspected of being involved with breach of tax laws and regulations from the verification and e-certificate sub-systems to the appropriate tax administrations in another region. The SAT oversees the crime investigation via the sub-system to make sure that the investigation proceeds effectively and efficiently.

In 2015, an updated VAT Invoice Processing System was promoted and put into use nationwide, which integrated three VAT anti-counterfeiting systems, namely the Tax Control System, the cargo transportation VAT invoice system and the e-certificate and cross-checking system. The new system has the following features:

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

- transferring information in real time. The new system shifts from the offline invoicing and regular reporting to online, real-time uploading of information to tax administrations.

- keeping electronic copies of original records. Taxpayers' invoices are all digitally certificated and signed, which will be sent to the tax administrations' electronic database as original records via the monitored loop.

In 2016, the SAT introduced the new system among VAT taxpayers within the scope of the Business Tax to VAT reform pilot program, ensuring that all new VAT taxpayers can have their VAT invoices issued in time without difficulty. The SAT also improved the new system so that VAT general taxpayers of Credibility Levels A, B and C do not need to have their VAT invoices authenticated. The SAT also strengthened the application of data in the new system and expanded the database with all the information on VAT invoices collected. The SAT also enhanced the use of original VAT vouchers, which has effectively prevented and cracked down on violations of laws such as false VAT invoices and inflated input tax credits.

In 2017, the new system saw widened coverage and increased efficiency as the SAT introduced a common VAT invoice verification platform to check authenticity of invoice information and to promote development of social credit system. To adapt to socio-economic progress, the SAT promoted e-invoice for heavy issuers in e-commerce, telecommunications, finance, express and utilities sectors and taxpayers in need of such system. Lottery invoice pilot program was introduced to encourage customers to ask for invoice, so as to create a more standardized and equitable tax environment.

Golden Tax Project Phase Ⅲ

As part of China's e-government project, Golden Tax Project Phase Ⅲ is designed to create an information system that links with other relevant agencies and covers all the taxes and processes for which both the SAT offices and local taxation administrations are responsible. The information system consists of four sub-systems, namely collection, administration, third-party information and support for decision-making. There are two national tax data processing centers located in Beijing and Guangdong.

In 2015, the SAT started to promote the system in China. In October 2016, most of the application systems were put into use across the country, marking a new step made in the IT application to taxation in China.

The year 2017 saw smooth running of the system, with 3 billion service deliveries upon one-year operation, making it a basic and backbone-like tax administration information system that helps tax authorities with service and decision-making. In the meantime, the SAT optimized and expanded functions of the system and developed big data cloud platform to ensure smooth implementation of administrative and tax system reforms, providing strong IT support for the improvement of national and tax governance.

Along with the promotion of the system in the country, the SAT has continued to improve the system in terms of functionality, performance and user experience. It strives to build up a standardized data and administration system for taxation purposes by centralizing data at the national level, standardizing data management and focusing on data application.

Exchanges and Cooperation

◇ Multilateral Exchanges and Cooperation

◇ Bilateral Exchanges and Cooperation

◇ Expanding Exchange of Information (EOI) Network

◇ Expanding Tax Treaty Network

Being an active player in international tax arena, the SAT works closely with international partners in exchange of information, cross-border collaboration and multilateral actions. The SAT is committed to cooperating with other tax jurisdictions to ensure an open, vibrant and fair playing field, contributing to the balanced and sustainable development of the global economy.

Multilateral Exchanges and Cooperation

In recent years, the SAT has actively enhanced its cooperation with international organizations such as OECD, International Monetary Fund (IMF) and regional taxation organizations such as Study Group on Asian Tax Administration and Research (SGATAR), African Tax Administration Forum (ATAF), Inter-American Center of Tax Administrations (CIAT), Inter-European Organization of Tax Administration (IOTA) and others located in Asia, Africa, the Americas and Europe. It has been deeply involved in all tax agendas under the framework of the G20, including the BEPS project, CRS project, and providing assistance to developing countries in capacity building. In deepening tax cooperation with BRICS countries, it hosted the 5th BRICS Heads of Tax Authorities Meeting. It took part in research for key projects initiated by Forum on Tax Administration (FTA), and co-led with Canada on the capacity building project. Mr. Wang Jun, the SAT Commissioner, attended and addressed the 11th Plenary of Forum on Tax Administration held in Oslo, Norway in September 2017. As a member of SGATAR, the SAT will host the 48th SGATAR Annual Meeting in 2018, pushing through the reform of SGATAR and increasing the quality and efficiency of cooperation.

» Exchanges and Cooperation under the G20 Framework

In 2017, the SAT continued to be deeply involved in the BEPS project entrusted to OECD by the G20. It served as the first vice-president in the Multilateral Agreement Task Force, playing an active role in the completion of multilateral agreement and the implementation of BEPS deliverables across the globe. The SAT participated in 16 BEPS-related meetings this year, putting forward China's statements and suggestions on all the action plans. Meanwhile, with reference to the BEPS deliverables, the SAT published many important international taxation policies and rules and brought the BEPS results into China's DTAs.

» Participation in FTA Activities

From 27th to 29th in September 2017, Mr. Wang Jun led a Chinese tax delegation to the 11th FTA Meeting in Norway and delivered a speech of "Adopting a Linked and Integrated Approach to Tax Administration Modernization" at the plenary. In his speech, he introduced the approaches and outcomes of China's pressing ahead with the tax administration system reform in recent years, and told stories on tax administration with Chinese characteristics, which were widely acclaimed by the delegates to the meeting. This meeting brought together heads of tax administrations of 46 major economies such as the US, the UK and France as well as more than 130 delegates from 7 global and regional organizations such as the IMF, the World Bank, and the World Customs Organization. The *Communiqué of the 11th Meeting of the OECD Forum on Tax Administration* was released after the meeting. China continued to co-lead with Canada on capacity building project while project decision-making, monitoring and evaluation framework took initial shape and Knowledge Sharing Platform (KSP) popularized to a greater extent. China was also actively involved in e-service, MAP forum, advanced analytics, Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC) and Tax Administration Series (TAS) work.

» Participation in OECD Activities

The SAT started to take part in some work of Committee on Fiscal Affairs(CFA) from 1996. Such involvement has deepened since China became a formal CFA observer in 2004. In 2015, the SAT and the OECD signed its Memorandum for Cooperation 2016-2018, which covers the various forms of cooperation in 19 areas including tax policy, tax administration and international taxation. Key results:

- SAT actively participated in revising the *Model Tax Convention on Income and on Capital* and OECD *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*. In 2017, as the first vice-president in the Multilateral Agreement Task Force, the SAT took part in negotiation of *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (the Convention) and became the first to sign the Convention together with 66 other jurisdictions in June 2017 to provide legal instrument for revision of over 3,000 tax treaties through the package.

- The SAT attended the professional meetings held by CFA and its subsidiaries as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes and served as the vice-chair of No. 10 Working Party on Exchange of Information and Tax Compliance. In 2017, the SAT actively participated in Global Forum Peer Review Meetings to deliberate on domestic laws on CRS and made efforts to prepare for exchange of non-resident financial account information in tax matters in September, 2018.

- The SAT sent over 100 tax officials to attend Global Relation Programme events held in OECD Multilateral Tax Centers in Seoul, Ankara, Budapest, Vienna and Mexico. In 2017, 38 officials attended 19 events in the above Multilateral Tax Centers (MTCs).

- The SAT made best use of OECD-SAT Multilateral Tax Center to provide training courses for domestic tax officials and those from developing countries in Asia, Africa, Latin America, etc. In 2017, the SAT organized 7 events in the MTC, training 689 domestic tax officials and inviting tax officials from developing countries for learning and exchanges.

» Cooperation with IMF

In 2016, the SAT signed its *3-year technical cooperation agreement (2016-2018)* with the IMF. According to the agreement, the SAT received six expert delegations (Missions) from the IMF in 2017 which focus on the topic of entrepreneurship and employment tax incentives, micro-simulation model for personal income tax and social security tax as well as outbound taxation, taxpayer service and quality control in enforcement and administration for large businesses. On 26 September 2017, Mr. Wang Lujin, Chief Accountant of the SAT, led a delegation of Chinese tax officials to the United States and conducted mid-term evaluation on technical cooperation project. Both sides believed their cooperation in the previous 18 months had been smooth and effective.

» Participation in the BRICS Activities

From 27th to 28th in July 2017, the SAT hosted the 5th BRICS Heads of Tax Authorities Meeting in Hangzhou. During the meeting, the BRICS heads of tax authorities signed the first institutional document on taxation cooperation of BRICS Members–*BRICS Taxation Cooperation Memorandum* so that the taxation cooperation of BRICS members was elevated to the institutional level in the form of official document for the first time, marking that the taxation cooperation mechanism of BRICS members has started a new phase. The communiqué issued after the meeting planned the roadmap for the taxation cooperation of BRICS countries, made commitments to implementing G20's reform results of tax system and bolstering the construction of fair and modern international tax system, and advocated the efforts to deepen the multilateral taxation cooperation of BRICS countries, strengthen the development of tax administration capability and support other developing countries in capability building and encourage developing countries to take an active part in the international taxation cooperation.

Pushing Forward SGATAR Reform

The Study Group on SGATAR is the only official organization for collaboration on tax administration in the Asia-Pacific region. As a member of the Permanent SGATAR Task Force, the SAT promoted reform on organizational governance, external relations and capacity building, together with New Zealand and the Philippines, and made significant progress. During the 47th SGATAR Annual Meeting in 2017, three documents including work plan on building external relations, criteria on granting observer status and multi-tiered capacity building five-year programme drafted by the Task Force were endorsed by the Heads of Delegations (HODs).

Helping Developing Countries with Capacity Building

The SAT helps developing countries in Asia, Africa and Latin America with their capacity building in a variety of ways, including legislative consultation, topic discussions, expert support, experience sharing and technical assistance. Two seminars on VAT management were held in China in 2017, with 66 tax officials from 18 Asian, African and Latin American countries participated.

The SAT makes the most of the MTC established by the SAT and OECD jointly to improve the capability of developing countries in tax administration. In 2017, seven OECD seminars were held in the MTC with 70 tax officials from 15 countries participating.

Bilateral Exchanges and Cooperation

In accordance with the bilateral cooperation agreements and memoranda with the tax administrations of the USA, Canada, Australia, Korea, Japan, the Netherlands, France, Mongolia, Argentina, Kenya, Kyrgyzstan, Kazakhstan, Denmark, Brazil, Russia and Ethiopia, the SAT has engaged in bilateral meetings and exchanges with their leaders or at an operational level.

The SAT regularly invited foreign tax experts to give lectures in China. In 2017, tax experts from Australia, Canada, and the Netherlands were invited to give lectures on international taxation, digital economy, risk management, large business tax audit and e-commerce.

The SAT selected and sent tax officials to Austria, the Netherlands, the USA, Australia, Korea and Canada to receive training on the topics of compliance risk management, taxpayer service institutional building, tax treaty, non-resident taxation management, risk-oriented tax audit and tax information management system.

In 2017, the SAT promoted Tax Officials External Assignment and Elite Tax Experts Program in a concerted way. Thanks to cooperation of the Ministry of Foreign Affairs, the Ministry of Commerce, State Administration of Foreign Experts Affairs and China Council for the Promotion of International Trade, the SAT dispatched 4 tax officials to the USA, Japan, Germany and India. In the first half of 2018, it dispatched tax officials to embassies and consulates and representative offices in 14 jurisdictions such as Mission of China to the EU, France, Russia, South Africa, Kazakhstan, Italy, Romania, Morocco, etc. It also consulted with OECD, IBFD and the University of York to assign elite tax experts to work as interns or visiting scholars. Those dispatched play an active role in domestic tax system reform, international tax administration cooperation, tax policy consultation and international exchange and cooperation, laying solid groundwork for a new tax service and management system and a new open-based tax landscape.

Table 7 illustrates the foreign tax administrations visited China and held bilateral communications and activities with the SAT in 2017.

Table 7 Visits to the SAT in 2017

Jurisdictions	No. of Visitors
Korea, Japan, Kazakhstan, India, Singapore, New Zealand, France, Australia, USA, Netherlands, Portugal, Denmark, Canada, Italy, Spain, Liechtenstein, Ghana, Pakistan, Panama, Sri Lanka, Zambia, Ethiopia, Mozambique, Sierra Leone, Zanzibar, Zimbabwe, Afghanistan, Libya, Nepal, Malaysia, the Maldives, Mongolia, Tajikistan, Dominica, Cameroon, Egypt, Sudan, Uganda, Cambodia, Indonesia, Chinese Taipei, Chinese Hong Kong, etc.	496

Expanding Exchange of Information (EOI) Network

In the 1990s, the exchange of information on request was the main form of EOI and 10 countries including the US, the UK, Japan and Korea were our partners. As China blends into the world economy in the 21st century, its rate of exchange of information for tax purposes has accelerated. China has maintained stable working relationships with over 50 tax jurisdictions in relation to EOI in 2017. The SAT reviews over 400 cases of EOI on request annually and has started to pilot EOI with other countries through the JITSIC platform.

China signed the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* in August 2013 (see Table 8). The Convention became binding for China on February 1st 2016 and will be implemented by China on January 1st 2017. China also signed Tax Information Exchange Agreements (TIEAs) with 10 tax jurisdictions including Bahamas, British Virgin Islands, Isle of Man, Guernsey, Jersey, Bermuda, Argentina, Cayman Islands, San Marino and Liechtenstein, all of which have come into force and been implemented (see Table 9). China's mutual administrative assistance network has expanded to cover major trade partners and low tax jurisdictions which have frequent economic ties with China.

In 2014, China promised that the Standard for Automatic Exchange of Financial Account Information would be implemented by China. In December 2015, with the approval of the State Council, the SAT signed the *Multilateral Competent Authority Agreement on Automatic Exchange of Financial Information.*

In May 2017, the SAT, along with the MOF, Peoples' Bank of China (PBOC), CBRC, China Insurance Regulatory Commission (CIRC) and China Securities Regulatory Commission (CSRC) jointly released to the public the *Measures on the Due Diligence of Nonresident Financial Account Information in Tax Matters*, realizing implementation of CRS in China. From September 2018, China will start Automatic Exchange of Information (AEOI) with major economies and financial centers in the world, obtaining the offshore account information of Chinese taxpayers as the basis for crackdown on offshore evasion and avoidance.

Table 8 Multilateral Tax Conventions Signed by the Chinese Government

SN	Name	Signed on	Effective from	Applicable since	Signed by
1	Multilateral Convention on Mutual Administrative Assistance in Tax Matters	27.08.2013	01.02.2016	01.01.2017	WANG Jun
2	Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports	12.05.2016			WANG Jun
3	Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting	07.06.2017			WANG Jun

Table 9 TIEAs Signed by the Chinese Government

SN	Jurisdiction	Signed on	Effective from	Applicable since	Signed by
1	Bahamas	01.12.2009	28.08.2010	01.01.2011	HU Dingxian (Ambassador)
2	British Virgin Islands	07.12.2009	30.12.2010	01.01.2011	QIAN Guanlin
3	Isle of Man	26.10.2010	14.08.2011	01.01.2012	XIAO Jie
4	Guernsey	27.10.2010	17.08.2011	01.01.2012	XIAO Jie
5	Jersey	29.10.2010	10.11.2011	01.01.2012	XIAO Jie
6	Bermuda	02.12.2010	31.12.2011	01.01.2012	WANG Li
7	Argentina	13.12.2010	16.09.2011	01.01.2012	XIAO Jie
8	Cayman Islands	26.09.2011	15.11.2012	01.01.2013	SONG Lan
9	San Marino	09.07.2012	30.04.2013	01.01.2014	XIAO Jie
10	Liechtenstein	27.01.2014	02.08.2014	01.01.2015	LIANG Jianquan (Counsel-General in Zurich)

Expanding Tax Treaty Network

China has signed 103 tax treaties with other countries and 2 arrangements with Hong Kong Special Administrative Region (SAR) and Macao SAR by the end of 2017. A tax treaty was also signed between the mainland of China and Taiwan (see Tables 10, 11 and 12).

Table 10 Tax Treaties between China and Other Countries

Country	Signed on	Effective from	Country	Signed on	Effective from
Japan	06.09.1983	26.6.1984	USA	30.04.1984	21.11.1986
France	30.05.1984	21.02.1985	UK	26.07.1984	23.12.1984
	26.11.2013	28.12.2014		27.06.2011	13.12.2013
Belgium	18.04.1985	11.09.1987	Germany	10.06.1985	14.05.1986
	07.10.2009	29.12.2013		28.03.2014	06.04.2016
Malaysia	23.11.1985	14.09.1986	Norway	25.02.1986	21.12.1986
Denmark	26.03.1986	22.10.1986	Singapore	18.04.1986	11.12.1986
	16.06.2012	27.12.2012		11.07.2007	18.09.2007
Canada	12.05.1986	29.12.1986	Finland	12.05.1986	18.12.1987
				25.05.2010	25.11.2010
Sweden	16.05.1986	03.01.1987	New Zealand	16.09.1986	17.12.1986
Thailand	27.10.1986	29.12.1986	Italy	31.10.1986	14.11.1989

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Netherlands	13.05.1987	05.03.1988	Czechoslovakia (applicable to Slovakia) ①	11.06.1987	23.12.1987
	31.05.2013	31.08.2014			
Poland	07.06.1988	07.01.1989	Australia	17.11.1988	28.12.1990
Yugoslavia (applicable to Bosnia and Herzegovina) ②	02.12.1988	16.12.1989	Bulgaria	06.11.1989	25.05.1990
Pakistan	15.11.1989	27.12.1989	Kuwait	25.12.1989	20.07.1990
Switzerland	06.07.1990	27.09.1991	Cyprus	25.10.1990	05.10.1991
	25.09.2013	15.11.2014			
Spain	22.11.1990	20.05.1992	Romania	16.01.1991	05.03.1992
				04.07.2016	17.06.2017

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

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

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Austria	10.04.1991	01.11.1992	Brazil	05.08.1991	06.01.1993
Mongolia	26.08.1991	23.06.1992	Hungary	17.06.1992	31.12.1994
Malta	02.02.1993	20.03.1994	UAE	01.07.1993	14.07.1994
	18.10.2010	25.08.2011			
Luxembourg	12.03.1994	28.07.1995	Korea	28.03.1994	27.09.1994
Russia	27.05.1994	10.04.1997	Papua New Guinea	14.07.1994	16.08.1995
	13.10.2014	09.04.2016			
India	18.07.1994	19.11.1994	Mauritius	01.08.1994	04.05.1995
Croatia	09.01.1995	18.05.2001	Belarus	07.01.1995	03.10.1996
Slovenia	13.02.1995	27.12.1995	Israel	08.04.1995	22.12.1995
Vietnam	17.05.1995	18.10.1996	Turkey	23.05.1995	20.01.1997
Ukraine	04.12.1995	18.10.1996	Armenia	05.05.1996	28.11.1996
Jamaica	03.06.1996	15.03.1997	Iceland	03.06.1996	05.02.1997
Lithuania	03.06.1996	18.10.1996	Latvia	07.06.1996	27.01.1997
Uzbekistan	03.07.1996	03.07.1996	Bangladesh	12.09.1996	10.04.1997
Yugoslavia (applicable to Serbia and Montenegro)[1]	21.03.1997	01.01.1998	Sudan	30.05.1997	09.02.1999

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

（continued）

Country	Signed on	Effective from	Country	Signed on	Effective from
Macedonia	09.06.1997	29.11.1997	Egypt	13.08.1997	24.03.1999
Portugal	21.04.1998	07.06.2000	Estonia	12.05.1998	08.01.1999
Laos	25.01.1999	22.06.1999	Seychelles	26.08.1999	17.12.1999
Philippines	18.11.1999	23.03.2001	Ireland	19.04.2000	29.12.2000
South Africa	24.04.2000	07.01.2001	Barbados	15.05.2000	27.10.2000
Moldova	07.06.2000	26.05.2001	Qatar	02.04.2001	21.10.2008
Cuba	13.04.2001	17.10.2003	Venezuela	17.04.2001	23.12.2004
Nepal	14.05.2001	31.12.2010	Kyrgyzstan	12.09.2001	27.07.2003
Indonesia	07.11.2001	25.08.2003	Oman	25.03.2002	20.07.2002
Nigeria	14.04.2002	21.03.2009	Tunisia	16.04.2002	23.09.2003
Iran	20.04.2002	14.08.2003	Bahrain	16.05.2002	08.08.2002
Greece	03.06.2002	11.11.2005	Kyrgyzstan	24.06.2002	29.03.2003
Morocco	27.08.2002	16.08.2006	Sri Lanka	11.08.2003	22.05.2005
Trinidad and Tobago	18.09.2003	22.05.2005	Albania	13.09.2004	28.07.2005
Brunei	21.09.2004	29.12.2006	Azerbaijan	17.03.2005	17.08.2005
Georgia	22.06.2005	10.11.2005	Mexico	12.09.2005	01.03.2006
Saudi Arabia	23.01.2006	01.09.2006	Algeria	06.11.2006	27.07.2007
Tajikistan	27.08.2008	28.03.2009	Ethiopia	14.05.2009	25.12.2012
Czech	28.08.2009	04.05.2011	Turkmenistan	13.12.2009	30.05.2010
Zambia	26.07.2010	30.06.2011	Syria	31.10.2010	01.09.2011

(continued)

Country	Signed on	Effective from	Country	Signed on	Effective from
Uganda	11.01.2012	(Not effective yet)	Botswana	11.04.2012	(Not effective yet)
Ecuador	21.01.2013	06.03.2014	Chile	25.05.2015	08.08.2016
Zimbabwe	01.12.2015	29.09.2016	Cambodia	13.10.2016	(Not effective yet)
Kenya	21.09.2017	(Not effective yet)			

Table 11 Tax Arrangements between the Mainland and Hong Kong SAR and Macao SAR

Region	Signed on	Effective from
Macao	27.12.2003	30.12.2003
Hong Kong	21.08.2006	08.12.2006

Table 12 Tax Treaty between the Mainland of China and Taiwan

Region	Signed on	Effective from
Taiwan	25.08.2015	(Not effective yet)