

# Tax - Value Added Tax

## Introduction

China's tax laws and regulations are in a state of flux. China has had for many years, a dual system of indirect taxes, these being Value Added Tax (VAT) applicable to the goods sector and Business Tax (BT) for the services sector. China's indirect tax system has however recently transformed into a single VAT system applying to both goods and services. The VAT reforms commenced with a pilot program in Shanghai on 1 January 2012. They have progressively rolled out across all cities and provinces in mainland China and expanded to include many additional service sectors.

## VAT Taxpayers

VAT taxpayers are categorized into general taxpayers and small scale taxpayers. Taxpayers with RMB5 million or more of annual turnover will be regarded as general VAT taxpayers.

Small-scale taxpayers are subject to a lower uniform VAT rate of three percent, as compared to rates ranging from six to 16 percent (effective as of 1 May 2018), but they cannot credit input VAT from output VAT.

VAT payers whose annual turnover is below the ceiling, as well as those who have newly established their business, can voluntarily apply for general taxpayer recognition provided certain conditions are satisfied.

## Calculating VAT payable

A taxpayer's VAT liability can generally be calculated as follows:

$$\text{VAT PAYABLE} = \text{*OUTPUT VAT less **INPUT VAT}$$

$$\text{*OUTPUT VAT} = \text{SALES} \times \text{VAT RATE}$$

When selling goods or providing a taxable service, the taxpayer should calculate the amount of output VAT and charge this to the buyer/service recipient.

$$\text{**INPUT VAT} = \text{SALES} \times \text{VAT RATE}$$

Input VAT is the VAT amount paid by the taxpayer when purchasing goods or taxable services.

Special rules also apply to calculating VAT due on the import and export of goods and services.

## VAT Payments

Taxpayer	Timing
General	Monthly
Small	Quarterly
Non-VAT taxpayer	Per transaction



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# Tax - Transfer Pricing in Vietnam

## How can we help?

Dezan Shira & Associates' tax team has the depth and breadth of experience across all main industry sectors, as well as the ability to apply best practices to ensure that the management of indirect taxes is handled effectively.

Our indirect tax specialists can assist you with:

### Training

- Workshops/boot camps/internal training to ensure your company's key management and personnel have a broad understanding of the VAT regime.

### Advisory

- Financial impact assessments to determine the impact of VAT on your businesses profitability and to assess any risk areas.
- Contract reviews to maximise VAT efficiency.
- Advising on transactions such as restructuring and mergers and acquisitions.
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- Application for VAT exemptions, zero rating for exported services.
- Engagement with the tax authorities on all levels to assist in resolving any contentious issues
- Support in relation to tax audits or other investigations.

### Compliance

- Preparation of VAT returns
- Perform high level reviews of VAT returns.

- > Accounting
- > Audit and Risk Advisory
- > **Tax Advisory**

- > Business Intelligence
- > Corporate Established
- > Outbound Direct Investment

- > HR and Payroll
- > Recruitment and PEO
- > Technology

- > Due Dilligence
- > Mergers and Acquisitions
- > Intellectual Property

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The abovementioned services are intended to highlight the range of services we currently provide our clients. We would be pleased to have a conversation with you to hear about your particular needs and requirements. From there, we can prepare a precise scope of work and fee proposal taking these into account.

## Why Dezan Shira & Associates

Dezan Shira & Associates' tax practice specifically focuses on providing advice to foreign companies in relation to their investments and business activities in China. Dezan Shira & Associates' has a dedicated PRC tax team which is highly experienced and specialised in all areas of PRC tax, including VAT. Our tax professionals have a strong working relationship with the China tax authorities on all levels and are able to assist you with multiple aspects associated with your company's VAT affairs.

### CONTACT



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