

State Taxation Administration Annual Report

中国税务 年度报告

2018

中华人民共和国
国家税务总局

State Taxation Administration Annual Report (2018)

State Taxation Administration
People's Republic of China

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Commissioner's Message

Dear readers,

2018 was imbued with a sense of freshness and excitement in China's tax modernization. The *State Taxation Administration Annual Report (2018)* presents the fresh progress and new achievements of the year, which were taking place in every aspect, including development strategies, organizational structure, tax system, tax collection and administration and taxpayer service. The most noteworthy accomplishments were in the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations, the tax reform, the reform of delegating powers, streamlining administration and optimizing government services, and international taxation collaboration. In this regard, on behalf of the State Taxation Administration of the People's Republic of China, I would like to extend my sincerest gratitude to friends at home and abroad for showing interest in and offering support to China's tax development.

2018 celebrated the 40th anniversary of China's Reform and Opening up. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and earnestly following and implementing the strategic plans issued by the Central Committee of the Communist Party of China and the State Council, China's tax authority has successfully tackled challenges to fulfill all missions and steadfastly adopted the spirit of reform and innovation, making a steady onward march of progress in China's tax modernization. Under the rule of law, the tax revenue collected by China's tax authority in 2018 reached 13.8 trillion yuan (RMB) (exclusive of export refund), an

increase of 9.5 percent compared to last year. Adhering strictly to the tax cuts policy issued by the Central Committee of the Communist Party of China and the State Council, we have exceeded the overall goal of the year, which has already demonstrated an efficient and lasting effect in alleviating enterprises' difficulties in production and operation and better serving economic and social development.

Having accomplished, against all odds, the reform of tax collection and administration systems of state and local tax administrations, we have optimized the organizational structure and responsibilities of our tax system and constructed initially an efficient and unified tax collection and administration system, which substantively improved tax and fee payers' sense of gain. The tax reform has been significantly deepened, driving the tax system to further maturity. This is manifested in the implementation of a series of reform measures such as reducing the tax rate of Valued Added Tax (VAT), the smooth landing of the individual income tax reform, the initiation of the environmental protection tax collection and the expansion of the scope of pilots in water resource tax reform. Meanwhile, we have continued to deepen the reforms to delegate powers, streamline administration and optimize government services to improve taxation business environment and have also carried out the Spring Breeze Project for five consecutive years. In these two respects, five-year plans have been formulated respectively. We have deployed a campaign of "New Organization, New Service and New Image", which is accompanied by 26 new measures to further support and serve the private sector. According to *Doing Business 2019* released by the World Bank, China has advanced sixteen places in taxation index compared to last year. In active response to the Opening-up strategy, we successfully co-hosted the Belt and Road Initiative Tax Administration Cooperation Conference (BRITACOC) with other countries and international organizations and hosted the 48th annual conference of Study Group on Asian Tax Administration and Research (SGATAR). We also attended international conferences including the First Global Conference of the Platform for Collaboration on Tax (FGCPC) and the Bureau Meeting of the Forum on Tax Administration (FTA) to share our experience in tax reform.

As an ancient Chinese saying goes, "action generates knowledge while knowledge directs action". In 2019, China's tax authority will continue to follow the guidance of Xi Jinping Thought

on Socialism with Chinese Characteristics for a New Era, highlighting and ensuring the thorough implementation of tax and fee reduction. Focusing on the major undertaking of achieving the budgeted tax revenue, we will further optimize ways of tax law enforcement and speed up the pace to improve and mature tax supervision system in a planned manner. Meanwhile, we will consolidate and expand our achievements in the reform of tax collection and administration systems of state and local tax administrations, recruiting and training highly competent and professional tax officials and setting out on a new journey to push forward China's tax modernization with high efficiency in a New Era. We will further underscore the foundational, substantial and supportive role of taxation in the governance of the nation and in pushing forward the healthy and high-quality growth of economy and celebrate the 70th anniversary of the founding of the People's Republic of China with remarkable achievements.

As an ancient Chinese saying goes, "A bosom friend afar brings distant land near". China's tax authority will further strengthen exchanges and collaboration with tax authorities around the globe, collectively promoting international taxation collaboration to a new level. We will steadily facilitate all-dimensional opening up, substantially supporting the development of the Belt and Road Initiative, actively promoting "going global" and "bringing in" of Chinese enterprises and continuously helping to improve capacity of tax collection and administration in developing countries. Meanwhile, China's tax authority is willing to forge ahead hand in hand with tax authorities across the world to collectively construct a new international taxation order. Last, we sincerely hope that we will receive your continued support and care to China's tax reform and development .

Wang Jun 

Commissioner, State Taxation Administration

April, 2019

Development Strategy

—Starting a new journey towards high-quality tax modernization in the new era

- ◇ **Insisting on the Overall Leadership by the Party**
- ◇ **Highlighting the Theme**
- ◇ **Focusing on the Major Responsibility**
- ◇ **Adhering to the Primary Principle**
- ◇ **Consolidating Achievements of the Reform**
- ◇ **Cultivating a Well-Equipped and Specialized Workforce**

To start a new journey towards high-quality tax modernization in the new era, we must stick to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and strengthen the overall leadership in taxation by the Party. The theme of implementing the tax and fee reduction policies and measures will be put to the priority. As the tax authority, we will focus on the major responsibility of collecting tax revenue in accordance with the fiscal budget. We will adhere to the primary principle of optimizing tax enforcement approaches and accelerating the development of the supervision system. We need to consolidate the achievements from the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations. We will cultivate a well-equipped and specialized workforce.

Insisting on the Overall Leadership by the Party

To start a new journey towards high-quality tax modernization in the new era, we will have an in-depth study of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and put it into practice. All Party members should keep firmly in mind the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment; strengthen our confidence in the path, theory, system, and culture of socialism with Chinese characteristics; resolutely uphold General Secretary Xi Jinping's core position on the Party Central Committee and in the Party as a whole, and resolutely uphold the Party Central Committee's authority and its centralized, unified leadership. In order to have a thorough understanding, we should not only bear it in mind but also apply it to practice. As a result, we will be able to transform what we have learned to the aspiration to broaden our vision, to solve the difficulties, to facilitate economic development, and to prosper the cause of the country.

Highlighting the Theme

The theme of implementing tax and fee reduction policies and measures is the priority of taxation in the year 2019. It will relieve the burden on enterprises, inspire the businesses and promote economic development. We should keep the theme in mind and broadcast it to the taxpayers with explanations. Taxpayer service should be delivered more effectively. Tax filing and documentation requirements will be simplified by expanding the scope of documentation exemption, which allows the

taxpayers to enjoy the preferential policies upon tax filing instead of applying for pre-approval. We should carry out an accountability regime that each level has an in-charge person to ensure the tax and fee reduction policies and measures will be put into practice comprehensively and efficiently.

Focusing on the Major Responsibility

We must complete the duty of collecting tax revenue. To ensure that the tax revenue is collected as planned in the fiscal budget, we shall participate in drafting and adjusting the budget and estimate the tax cuts. Focusing on the major responsibility of collecting tax revenue, we should work towards the budget and maintain the national tax revenue. At the same time, we should guarantee that taxpayers pay no more than the correct amount of tax. Any tax or fee shall be charged according to laws and regulations.

Adhering to the Primary Principle

We must improve taxpayer service and strengthen the supervision. The Spring Breeze Project has carried out continuously, offering a series of convenient services to taxpayers. "New Organization and New Services" is this year's theme. We will continuously optimize tax enforcement approaches and avoid acting in an oversimplified way. We will advance risk management, which could improve early intervention and decrease unnecessary interruption for taxpayers. Cooperating with other departments, we will perform a two-year action fighting against false invoice issuance and fraudulent tax refund with focus on the "fake enterprises" and "fake export". We believe this action will give a strike on tax violations and frauds.

Consolidating Achievements of the Reform

The achievements of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations should be consolidated and further expanded. We will strive for the integration of state and local tax administration systems by upgrading working rules and setting up new rules so as to reach uniform standards. We will promote the integration through training programs with emphasis on efficient tax administration operation. We will advance the integration via team development activities which could inspire passions and dedications. We will enhance the integration by fostering a collaborative and inclusive culture such as organizing the chorus to encourage the recognition in the career, the profession, and the values.

Cultivating a Well-Equipped and Specialized Workforce

Tax employees should be well organized, led and cultivated. Based on the Party building, we will extend it to tax authorities to ensure that political responsibility for governance over the Party is fulfilled at each level. The supervision over employees' conduct and disciplines will be strengthened, as is the internal control and inspection. The performance review and the digital human resources mechanism will be implemented. We will launch diverse and comprehensive training for employees at all levels so that they could deliver better service to taxpayers. The well-equipped and specialized workforce will work together and make progress in the journey towards tax modernization in the new era, making a great contribution during the decisive stage in building a moderately prosperous society in all aspects.

Hot Topics

- ◇ **Achieving Notable Results of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations**
- ◇ **Deepening Tax Reform**
- ◇ **Optimizing Tax Service and Administration**
- ◇ **Building Consensus on BRI Tax Cooperation**
- ◇ **Holding the 48th Annual Meeting of the SGATAR**

In 2018, the performance of tax administration of China remained strong and consistent with reform initiatives, highlighted in the following aspects, achieving notable results of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations, deepening tax reforms on Individual Income Tax and VAT, significant improvements in the reform of delegating powers, streamlining administration and optimizing government services, all realizing periodical targets; building consensus on BRI tax cooperation and holding the 48th SGATAR Annual Meeting.

Achieving Notable Results of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations

○ The Effect of Reform of Tax Collection and Administration Systems of State and Local Tax Administrations was Better than Expected

As the major strategic plan focusing on overall interest and long-term vision unveiled by the Central Committee of the CPC and the State Council, the reform of tax collection and administration systems of state and local tax administrations concerns two levels, three systems, four tiers, tens of thousands of institutions, almost one million tax officials, and more than a billion of taxpayers and payers. This reform, extensively concerning interests, was implemented with unprecedented intensity and scale. Adhering strictly to the decision and plan issued by the Central Committee of the CPC and the State Council, China's tax authority, with courage in face of adversity and striving forward to overcome difficulties, has won main battles of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations and yielded better-than-expected effects.

○ Accomplished Three Consecutive Victories of Main Battlefields

Under the complicated circumstance of incomplete match in amount of institutions, ranks, functions and distributions between previous state tax administrations and local tax administrations in one area, almost 23 thousand new tax services (branches and offices) at provincial level and below have been established successively and orderly. Under the circumstance of Three Fixed concerning immediate interests of almost every tax official, China's tax authority has accomplished steady and stable

integration, streamlined administrations of tax services and its corresponding internal institutions, regional offices and public institutions at each level, and optimized organizational structure, functions and responsibilities of tax services at each level, which initially established an optimized, efficient and unified tax collection and administration system and concretely improve taxpayers and payers' sense of gain. Under the sensitive circumstance of transferring the collection of social security and non-tax revenue to tax authorities, China's tax authority has properly handled problems and prepared the construction on information system and online shared platform, formulation and distribution of institutional documents, and handover and cleansing of data, which ensured steady and stable collection of social security and non-tax revenue. Additionally, China's tax authority has classified and revised more than 2100 collection and administration matters, documents and certificates, and standards of service code, which ensured steady and stable operation of information system and constant improving of taxpayers' experience in the reforming process of China's tax authority.

○ Explored to Establish a Scientific and Efficient Working Mechanism

China's tax authority established an efficient directing-system, forming leadership and operational mechanism featured as "1+10+36+6+N+1" for reform working group, implementing template management, orderly formulating and distributing 420 unified documents, basic norms and operational template on key reforming matters and important programs, successively distributing 36 supervision lists, and providing guidance and instruction on 350 matters. China's tax authority designed Roadmap, Timetable and Tasks of the Reform of Tax Collection and Administration Systems of State and Local Tax Administrations and formulated ledger covering almost 700 specific matters, clear enough at first glance, and implemented the reform according to these well-designed pictures and tables. The STA and tax services at provincial level and below in all designed

61 thousand scheduled pictures and tables, and conducted reforming work according to these well-designed pictures and tables. The regular communication system was established and tax services at each level altogether received 116 thousand suggestions and advice from tax officials, of which 80 percent of these suggestions and advice were adopted. Meanwhile, 3477 liaison (supervision) groups were accredited to each level, which effectively ensured the stable and orderly progress of reform.

○ Realized Steady and Stable Reform Internally and Externally

Numerous institutions were integrated and streamlined in this reform. Besides, a great majority of tax officials' posts were changed, with plenty of leading officials at each level changed from principals to deputies and the promotions for a number of tax officials affected. Through strengthening leadership by the Party and ideological and political work, communing between principals and deputies, higher-level organizations and subordinate organizations, and leading officials and ordinary officials has been conducted at each level, solving mental blocks and relieving mental load, which not only ensured overall stability of tax officials but also inspire tax officials to work hard and overcome difficulties without considering too much about personal matters. Especially at crucial moment of establishing integrated tax services and during the process of Three Fixed, almost 350 thousand tax officials worked day and night to update information system, which not only ensured effective and efficient linking between the internal and the external but also avoided the potential influence on taxpayer service.

○ Received Relatively High Marks for Our Overall Work

The Central Committee of the CPC and the State Council gave affirmative marks to our overall work. A large number of the Party committees and governments at provinces, autonomous regions and municipalities directly under the central government regarded the Reform of Tax Collection and Administration Systems

of State and Local Tax Administrations as a model for the reform of local governments. According to the results of anonymous questionnaire survey conducted by the State Taxation Administration, overall satisfaction rate for the reform among taxpayers and tax officials was 95 percent. Additionally, during the annual conference of SGATAR hosted in Hangzhou and the Meeting of Steering Committee of the OECD Forum on Tax Administration (FTA) hosted in Paris, participating commissioners and representatives from international organizations presented positive evaluation on effective and efficient reform implemented by China's tax authority.

Deepening Tax Reform

○ Reform on Individual Income Tax (IIT)

Starting from October 1st, 2018, two steps have been taken to implement a combination of a comprehensive IIT system and a scheduler IIT system, together with corresponding measures on collection and administration.

- ◆ Integrating a comprehensive IIT system into the past scheduler IIT system. Six itemized deductions (expenses on children's education, continuing education, serious illnesses, mortgage interests, rents, and support for the elderly) were introduced. Four types of income (salary and wages, provision of independent personal services, author's remuneration, and royalties) were categorized as comprehensive income taxed at progressive rates and on an annual basis.
- ◆ Introducing legal provisions on IIT collection and administration. Establishing the individual tax credit system to enhance cooperation, coordination and joint-governance on IIT.

- ◆ Launching a nationwide IIT collection and administrative platform by harnessing cutting-edge technologies in cloud computing, big data, etc.

○ Reform on Value-Added Tax (VAT)

Aimed at rationalizing the overall tax system through tax reduction, the STA rolled out three specific measures in the VAT reform to further alleviate compliance burdens for taxpayers:

- ◆ Adjusting the 17% and 11% tax rates to 16% and 10% respectively, and establishing a three-tier VAT rate schedule of 16%, 10% and 6%. ^①
- ◆ Raising the cap on the taxable sales for VAT small-scale taxpayers to five million RMB.
- ◆ Offering one-off refund of the input tax retained to be deducted within a specified period for qualified enterprises in the advanced manufacturing industry (including equipment manufacturing and R&D) and modern service industry, as well as power grid companies.

^① Starting from April 1st, 2019, the three-tier VAT rate schedule will be adjusted into 13%, 9% and 6%.

Optimizing Tax Service and Administration

In 2018, with the Spring Breeze Project ushering into its fifth year, the STA continued its endeavor in supporting business development and improving business environment by rolling out the Five-Year Action Plan for Optimizing Business Environment, ten initiatives to upgrade tax environment, and 26 measures to facilitate the development of private economy.

Doing Business 2019 released by the World Bank demonstrated a remarkable progress in taxpayer service achieved by Chinese tax authorities, with time to comply further reduced to 142 hours annually (global average: 237 hours) among other indicators. The ranking of China in the ease of paying taxes elevated sixteen places, with the number of filings and payments indicator up by fifteen places to 23rd and the time to comply indicator advancing 43 places to 53rd, achieving world class standard and overtaking OECD member countries respectively. In a third party *Taxpayer Satisfaction Survey*, China scored a total of 84.82, 1.21 points higher than that of 2016.

○ Streamlining Administration and Delegating Powers

Newly established enterprises are facilitated with the "package service" over the online taxpayer service platform to complete up to ten tax-related matters with a single application, and invoice approval time for qualified first-time applicants is significantly reduced to no more than two working days. The STA has also simplified the tax de-registration procedure by creating a regime of tax clearance certificate exemption and introducing a "promise mechanism" to process clearance applications from taxpayers short of necessary documents.

○ Innovating Regulatory Methods

Taxation on a real-name basis is enforced upon all newly established enterprises,

with 37.8 million already registered nationwide. With respect to effective tax risk management, strategic planning is better coordinated among all levels of tax authorities, and notification to taxpayers is reinforced in all three categories: routine, express and direct. By subjecting itself to random checks and public supervision, the STA strives to contribute to a more open, fair, transparent and orderly business environment.

○ Upgrading Taxpayer Service

Digitalization, standardization and simplification of taxpayer service have been greatly improved by consolidating unified procedures, data and services on the online taxpayer service platform. One hundred and three service measures were carried out nationwide to guarantee just once or even no show in person for taxpayers at taxpayer service halls. Twenty new measures in five categories of taxpayer services were introduced to further alleviate compliance burdens with the ongoing Spring Breeze Project under the theme of "New Era, New Taxation".

Building Consensus on BRI Tax Cooperation

In order to promote communication among tax authorities of the Belt and Road Initiative (BRI) jurisdictions and push for a new pattern of all-round opening up, the STA is committed to establishing the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) to build greater consensus and advance the BRI with joint efforts.

○ The Belt and Road Initiative Tax Cooperation Conference (BRITCC)

The Belt and Road Initiative Tax Cooperation Conference (BRITCC) co-hosted

by the State Revenue Committee of the Republic of Kazakhstan, the STA of China, the OECD Centre for Tax Policy and Administration (OECD-CTPA) and the OECD Forum on Tax Administration (OECD-FTA), was held in Astana, Kazakhstan in May 2018. Over 200 delegates from international organizations, academic institutions as well as tax authorities of more than 50 countries and regions participated in this conference. The conference put forward the *Astana Proposal by BRITCC Participating Jurisdictions for Enhancing Cooperation in Tax Matters (Astana Proposal)*, under which a long-term mechanism for tax cooperation among the BRI jurisdictions was conceived.

○ Implement the *Astana Proposal*

To implement the *Astana Proposal*, the STA held a working group meeting in September 2018 and delegates from OECD, IBFD and tax administrations of 22 jurisdictions participated in it. The *Memorandum of Understanding on the Establishment of the BRITACOM* was agreed on, laying a solid foundation for the establishment of the BRITACOM.

○ The Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM)

As a multilateral cooperation platform, the BRITACOM embraces four components: the Council, the Secretariat, the BRITACOF, and the Belt and Road Initiative Tax Administration Capacity Enhancement Group (BRITACEG). Adhering to the principle of achieving shared growth through collaboration with openness, inclusion and sustainability, the BRITACOM takes practical demands of the BRI into consideration and aims to strengthen mutual assistance and cooperation among the BRI jurisdictions for a growth-friendly tax governance system and for trade liberalization and investment facilitation. The first conference of the Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) will be hosted by the STA in China in April 2019 during which the BRITACOM will be officially established.

Holding the 48th Annual Meeting of the SGATAR

The 48th Annual Meeting of the Study Group on Asian Tax Administration and Research (SGATAR) was held in Hangzhou from November 13th to 15th, 2018, with six outcomes achieved:

○ Spreading the Message of Facilitating the BRI from the Perspective of Taxation

Acknowledging that the BRI will contribute to stable, sustainable and inclusive development of regional and global economy, all SGATAR members expect to strengthen international tax cooperation under the framework of the BRI.

○ Reaching the Consensus of Optimizing the Business Environment

All SGATAR members support the establishment of a mechanism to share best practices in improving business environment. They will make a suggestion to the World Bank Group (WBG) on the optimization of contents and approaches concerning the tax index in *Doing Business 2019* so that the actual situation of each country can be reflected on an objective basis.

○ Reaching the Consensus of Improving the International Influence of SGATAR

All SGATAR members are committed to promoting future reforms of SGATAR progressively and strengthening cooperation with other international and regional organizations in order to set up an example with a better mechanism, more efficient cooperation and greater openness and to constantly elevate the international influence of SGATAR.

○ **Formulating a Future Cooperation Scheme on Capacity Building**

All SGATAR members undertake to exchange and share practices and experiences in capacity building. Tax administration capabilities will be jointly improved by means of training courses, experts visits and technical support among SGATAR members.

○ **Exploring Measures to Implement BEPS Outcomes**

The conference has decided to call on more members to formulate and implement rules on transfer pricing documentation, sign the BEPS Multilateral Convention or incorporate related articles in bilateral tax treaties, with an aim to improve the efficiency of tax disputes resolution, increase tax certainty and help promote fairness and justice in the international tax order.

○ **Proposing to Improve Tax Transparency**

All SGATAR members propose to improve tax transparency and strengthen the exchange of information among tax authorities in order to jointly combat cross-border tax evasion and avoidance besides preventing and eliminating international double taxation. This will facilitate cross-border trade and investment and make contributions to stable growth of the global economy.

Organizational Structure

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

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

Organizational Structure and Responsibilities of State Taxation Administration (STA)

○ Organizational Structure of State Taxation Administration (STA)

The executive board of the State Taxation Administration is composed of one Commissioner, four Deputy Commissioners, one Chief Economist, one Chief Accountant and one Chief Auditor. The STA consists of sixteen Functional Departments (e. g. General Office), nine Public Institutions directly under the STA (e. g. E-Tax Management Center), one Institution directly under the STA and Regional Offices. (See Figure 1)

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

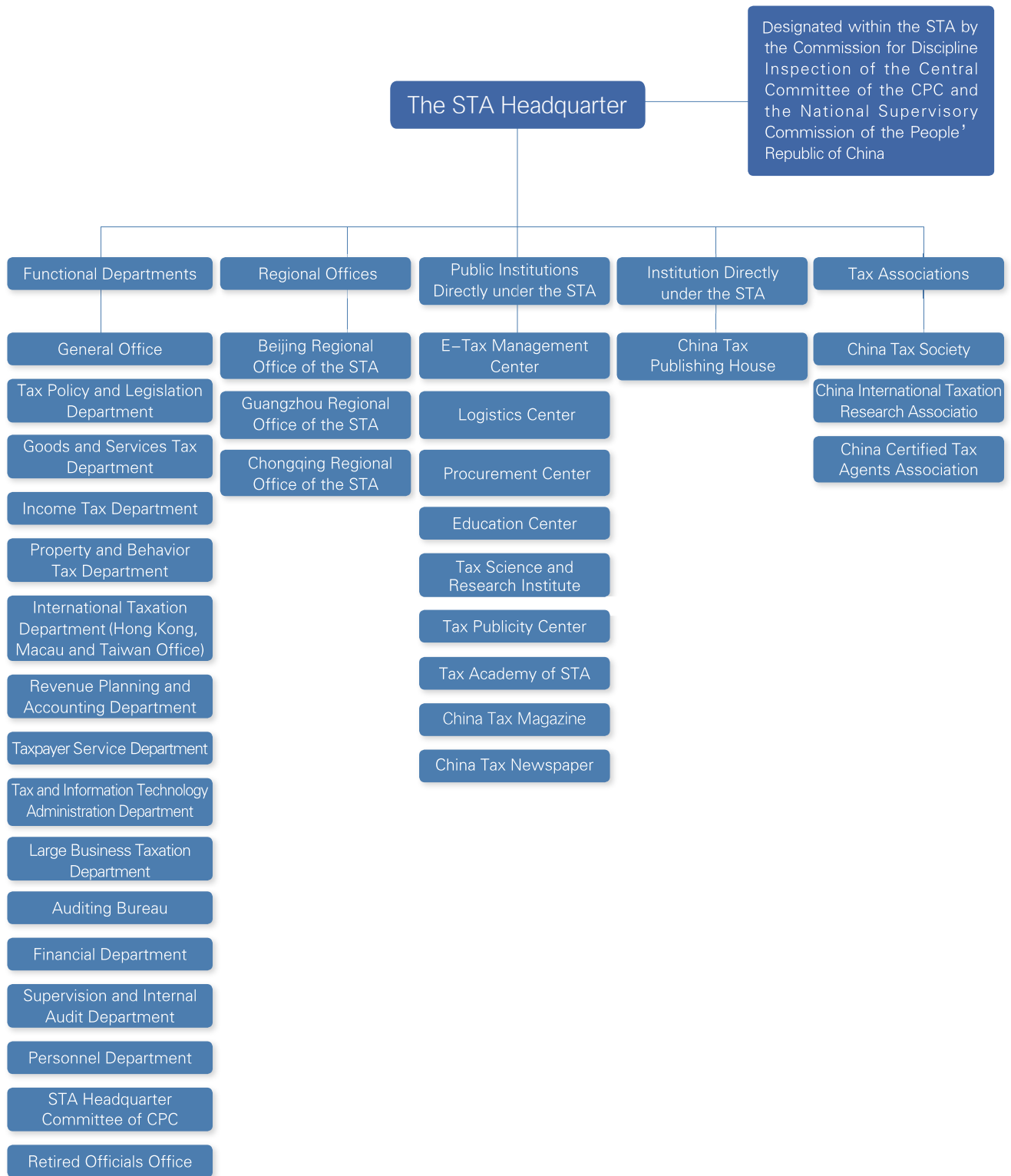


Figure 1 Organizational Structure of the STA

○ Major Responsibilities of STA

- ◆ Drafting tax laws, regulations and detailed implementing rules; providing advice on the making of tax policies; making joint efforts with the MOF to report and instructing implementation measures; interpreting tax laws and policies in the process of enforcement and reporting afterwards to the MOF for record-filing.
- ◆ Undertaking the responsibility of collecting and administrating state taxes, shared taxes and legally required funds (fees) to ensure collection of the due amount of taxes.
- ◆ Participating in formulating macro-economic policies and regimes of state and local tax; conducting research on overall tax burden and providing advice and suggestions for state macro control through taxation.
- ◆ Undertaking the responsibility of implementing reforms of tax collectioning and administration; drafting laws on tax collection and administration and formulating detailed implementing rules; formulating and supervising the enforcement of rules and regulations of tax collection and administration; supervising and inspecting the implementation of laws, regulations and policies on tax collection and administration.
- ◆ Undertaking the responsibility of constructing taxpayer service system; designing taxpayer service system, standardizing taxpayer service; designing and supervising the enforcement of guarantee system for taxpayers' rights.
- ◆ Implementing classified management and professional service for taxpayers; implementing taxpayer service and tax sources management for large businesses.
- ◆ Undertaking the responsibility of drafting long- and medium-term and annual plans for tax revenue; implementing investigation of tax sources; improving accuracy of analysis and forecast for tax revenue; implementing measures of tax reliefs.
- ◆ Undertaking the responsibility of formulating informationization system of tax administration; drafting long- and medium-term of plan on construction for informationization system of tax administration; implementing construction for Golden Tax Project.
- ◆ Conducting international tax exchanges and collaborations; participating in international and regional tax negotiations; initialling and implementing tax agreements and treaties.
- ◆ Handling import/export tax and export tax refund.
- ◆ Implementing a dual leadership of the STA and the governments of provinces (autonomous regions and municipalities), with the STA playing a leading role.
- ◆ Undertaking other tasks assigned by the State Council.

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

Three levels were established to tax service at provincial level and below, namely provincial, municipal and county. (See Table 1 and Figure 2)

Table1 Organizational structure of tax services at provincial level and below

Organizational Hierarchy	Number of Tax Service
Tax services of provinces, autonomous regions, municipalities directly under the central government, cities specifically designated in the state plan	36
Tax services of sub-provincial cities	10
Tax services of cities, autonomous prefectures and leagues	358
District offices of tax services in municipalities directly under the central government and cities specifically designated in the state plan	146
District offices of tax services in sub-provincial cities	132
County tax services (city, district and banner)	3099

○ Responsibilities of Tax Services at Provincial Level

- ◆ Undertaking the responsibility of implementing lines, principles and policies of CPC; strengthening total leadership of CPC; fulfilling the responsibilities of operating the CPC comprehensively under strict discipline; undertaking the responsibilities of party building and strengthening ideological and political work.
- ◆ Undertaking the responsibilities of implementing laws, regulations, and rules and normative documents on tax, social security and non-tax revenue; formulating detailed implementing rules through research; implementing supportive tax policies proposed by state.
- ◆ Undertaking the responsibilities of drafting long- and medium term plan on tax, social security and non-tax revenue within tax services at provincial level and below; participating in drafting budget of tax, social security and non-tax revenue and implementing the budget in accordance with the law; undertaking the responsibility of accounting on tax, social security and non-tax revenue within tax services at provincial level and below; implementing analysis and forecast of tax revenue.
- ◆ Undertaking the responsibilities of implementing economic analysis and effects of tax policies to provide advice and suggestions for State Taxation Administration and local party committees and governments.
- ◆ Undertaking the responsibilities of collecting and administrating tax, social security and non-tax revenue within jurisdiction; implementing tax sources supervision and risk management; strengthening tax administration for large businesses and natural person.
- ◆ Undertaking the responsibilities of systems construction on tax, social security and non-tax revenue within tax services at provincial level and below; implementing taxpayer service and taxation publicity; protecting the legitimate rights and interests of taxpayers and payers; undertaking administrative penalties hearing, administrative reconsideration and administrative procedures.
- ◆ Undertaking the responsibility of administrating international taxation and imports and exports taxation within jurisdiction; implementing anti-tax avoidance investigation and handle export tax refund.
- ◆ Undertaking the responsibilities of tax auditing and inspection of social security and non-tax revenue within jurisdiction.

- ◆ Undertaking the responsibility of classified management on VAT special invoice, VAT invoice and other types of invoice; undertaking the responsibility of administrating invoice and certificate of tax, social security and non-tax revenue.
- ◆ Undertaking of the responsibility of implementing the construction of Information Technology and a data-based approach to governance in various tax collection and administration, social security and related non-tax revenue collection and administration within tax services at provincial level and below.
- ◆ Undertaking the responsibilities of building internal control mechanism; supervise and inspect the faithful implementation of major decisions by the Central Committee of the CPC and the State Council and work designated by higher-level institutions; implementing the supervision of tax law enforcement.
- ◆ Undertaking the responsibilities of the CPC's construction at the community level and the officials development within tax services at provincial level and below; strengthen the development of leading bodies and the building of reserve officials; undertaking the responsibilities of taxation personnel development and officials education and training; undertaking the responsibilities of performance-based management and officials evaluation within tax services at provincial level.
- ◆ Undertaking the responsibilities of structure, staffing, budget and asset management within tax services at provincial level and below.
- ◆ Undertaking other tasks assigned by the STA and local party committees and governments.

○ Major Responsibilities of Tax Services below Provincial Level

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

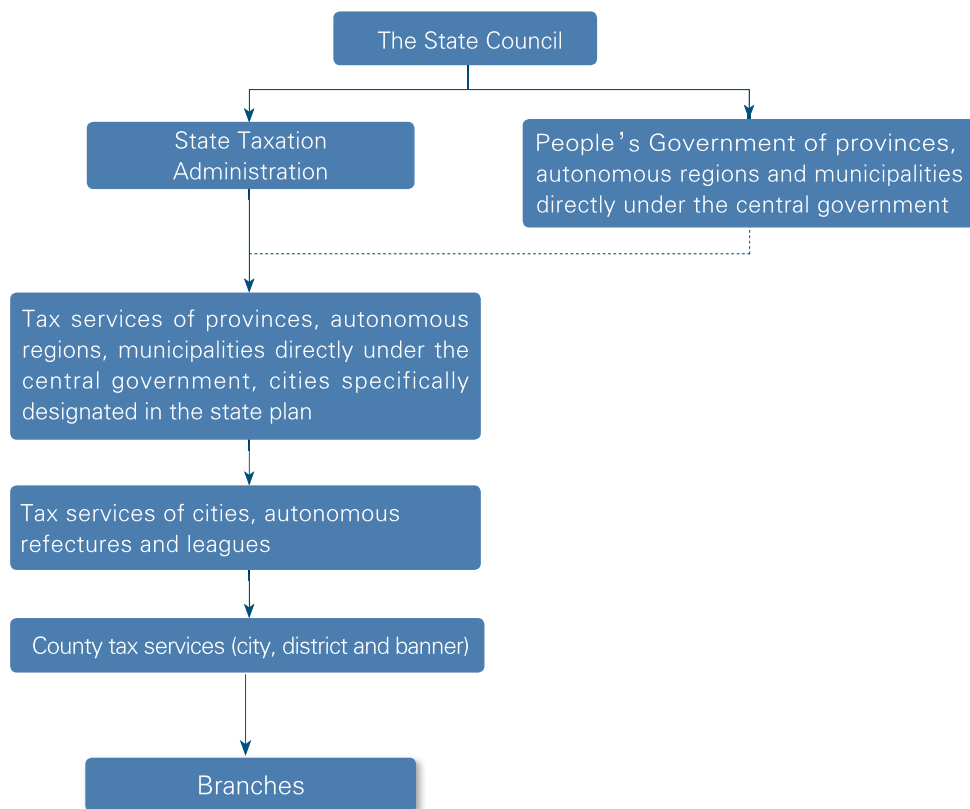


Figure 2 Organizational Structure of Tax Authority

Workforce Demographics

China's tax authority consists of 740000 in-service tax officials.

The State Taxation Administration (STA) consists of 1124 tax officials.

Tax services at each level consist of 739081 tax official. (see Figure 3)

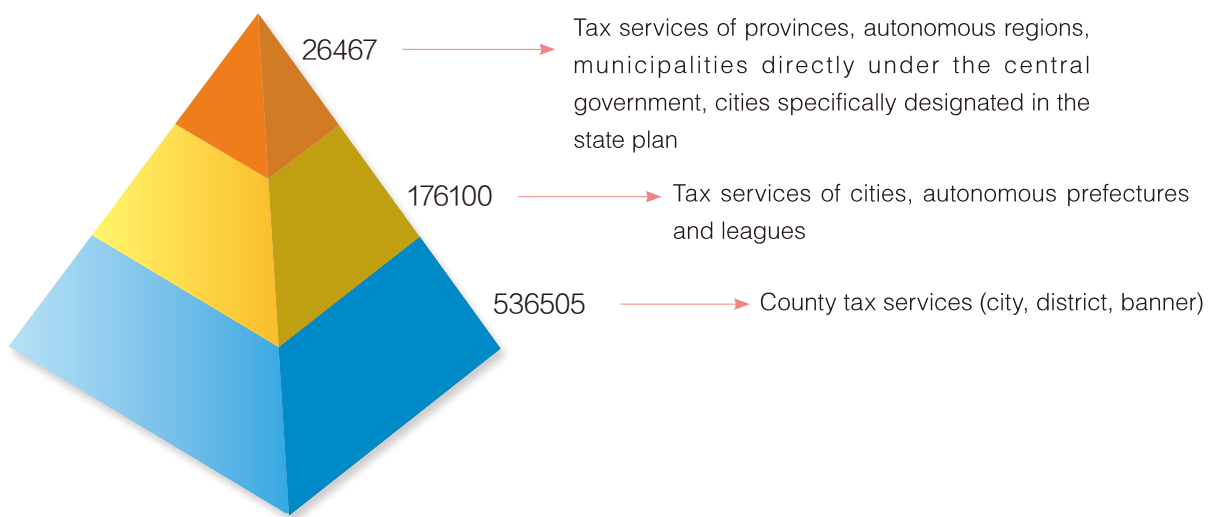


Figure 3 Workforce Demographics of Tax Services at Each Level

Tax System

- ◇ **Current Tax System**
- ◇ **Tax System and Adjustments in 2018**

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

Milestones

2006	Agricultural Tax, which had existed for over 2000 years in China, was abolished.
2007	Urban Land Use Tax System for domestic enterprises (DEs), foreign enterprises (FEs) and individuals were integrated.
2008	Enterprise Income Tax systems for DEs and FEs were integrated.
2009	<ul style="list-style-type: none"> ◆ Real Estate Tax systems for DEs and FEs were integrated. ◆ Fee-to-Excise Tax conversion on refined oil products was adopted. ◆ VAT transformation from a manufacturing-oriented to consumption-oriented system was completed. Enterprises were allowed to deduct the input VAT on purchasing machinery and equipment from their output VAT.
2010	Urban Maintenance and Construction Tax systems for DEs, FEs and individuals were integrated.
2012	Business Tax to VAT Pilot Reform was carried out in the transportation sector and certain modern services sectors in several regions.
2013	Business Tax to VAT Pilot Reform was extended to other parts of China.
2014	Business Tax to VAT Pilot Reform was further extended to the sectors of railway transportation, mail and telecommunications.
2015	Progress was steadily made with the Business Tax to VAT Reform and Excise Tax Reform. Resource Tax was reformed to be levied on an ad valorem basis.
2016	Business Tax to VAT Pilot Reform was extended comprehensively to cover all goods and services. Resource Tax Reform on an ad valorem basis was enlarged in its coverage. <i>Environmental Protection Tax Law of the People's Republic of China</i> , as adopted at the 25th Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China, came into force on January 1st, 2018.
2017	VAT rates were simplified with the rate of 13% abolished, which led to a structure of VAT with 17%, 11% and 6%. The <i>Provisional Regulations of Business Tax of the People's Republic of China</i> was abolished. The <i>Provisional Regulations of VAT of the People's Republic of China</i> was revised. The <i>Corporate Income Tax Law of the People's Republic of China</i> was revised to give further support to donation for public welfare. The scope of pilot reform on Water Resource Tax was enlarged to nine provinces (autonomous regions, municipalities directly under the Central Government) including Beijing. The <i>Enforcement Regulations of the Law of the People's Republic of China on Environmental Protection Tax</i> was issued. The <i>Law of the People's Republic of China on Tobacco Tax</i> and the <i>Vessel Tonnage Tax Law of the People's Republic of China</i> 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.
2018	With the VAT reform further pressed ahead, the original 17% and 11% tax rates were adjusted to 16% and 10% respectively to form the current three-tier VAT rate schedule of 16%, 10% and 6%. By raising the threshold of small-scale VAT taxpayers to annual turnover of no more than five million RMB, qualified general VAT taxpayers were given the right to re-register as small-scale taxpayers by the end of 2018. Companies in the advanced manufacturing industry like equipment manufacturing and modern services industry like R&D and power grid companies with outstanding input VAT not credited in a specified tax period are eligible for refund on a lump-sum basis. The Fifth Session of the Standing Committee of the Thirteenth National People's Congress of PRC voted to pass the amendments to the <i>Individual Income Tax Law</i> on August 31st 2018. On the same day, President Xi Jinping signed the presidential decree No. 9 to issue the Law. On December 22nd, Premier Li Keqiang signed the decree of State Council to issue the <i>Provisional Regulations on Specific Deductions of Individual Income Tax</i> and the <i>Revised Regulations on Implementation of Individual Income Tax Law</i> . A combination of a comprehensive IIT system and a scheduler IIT system came into force on January 1st, 2019.

Current Tax System

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

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

Table 2 Current Tax System (2018)

Serial Number	Taxes	Taxpayers	Subjects of Taxation (Base 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: 16%, 10%, 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	Fifteen types of consumer goods such as tobacco, alcoholic drinks, cosmetics and refined oil products	Ad valorem tax, per unit tax, or combination of both

(continued)

Serial Number	Taxes	Taxpayers	Subjects of Taxation (Base 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 ^①	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	Enterprise Income Tax	Enterprises with in 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 a domicile in China or having resided in China for a period aggregating 183 days or more in a taxable year	Income derived in China or elsewhere	Comprehensive income: progressive rates from 3% to 45% ; Business income: progressive rates from 5% to 35%; Income derived from interests, dividends and bonuses, leasing or transfer of property, and contingent income: 20%
		Non-resident taxpayers: individuals having no domicile or residence in China or having resided in China for a period aggregating no more than 183 days in a taxable year	Income derived in China	

(continued)

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

(continued)

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

(continued)

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

Note : Since May 1st, 2016, the VAT Pilot Program has been extended to cover all taxpayers.

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

Tax System and Adjustments in 2018

○ Lowering VAT Rates

Starting from May 1st, 2018, the VAT rate for sales of product and imported goods is reduced from 17% to 16% and 11% to 10% respectively. The deduction rate of input tax for purchased farm produce is adjusted from 11% to 10%. Farm produce purchased for production, sale, and contracted processing taxed at 16% VAT rate is subject to a 12% deduction rate. Exports taxed at 17% and 11% and cross-border activities taxable at 11% are subject to refund rates of 16% and 10% adjusted from 17% and 11% respectively. By implementing the reform, a three-tier VAT rate schedule of 16%, 10% and 6% is established.

○ Unifying Standards for Small-Scale Taxpayers

Starting from May 1st, 2018, the threshold for small-scale taxpayers is raised to an annual turnover of no more than five million RMB. General VAT taxpayers registered under Article 28 of *Implementing Measures for the Provisional Regulations of the People's Republic of China on Value Added Tax* can choose to re-register as small-scale VAT taxpayers by December 31st, 2018, and have their non-deducted input VAT listed as cost.

○ Refunding Input VAT Retained to be Deducted for Certain Industries

In 2018, companies in the advanced manufacturing industry like equipment manufacturing and modern services industry like R&D and power grid companies with input VAT retained to be deducted in a specified tax period are offered refunds on a lump-sum basis.

○ Extending Favorable Tax Policies for Small and Micro Businesses

Since January 1st, 2018, the cap of the annual taxable income of small and micro businesses has been raised from 500000 RMB to one million RMB. For small and micro businesses with an annual taxable income of one million RMB or less, a 50% discount is applied to calculate taxable income together with a 20% enterprise income tax rate.

○ Facilitating Technological Innovation with Preferential Tax Policies

Effective from January 1st, 2018 to December 31st, 2020, a 75% weighted deduction applied to R&D costs on new technologies, new products and new methods for medium and small-sized tech-companies previously is now extended to all enterprises.

Newly purchased equipment and appliances with a unit value of no more than five million RMB between January 1st, 2018 and December 31st, 2020 are allowed to be listed as current costs and expenses in a single entry instead of annual depreciation when calculating taxable incomes.

Starting from January 1st, 2018, restriction on applying weighted deduction to R&D expenses incurred from overseas outsourcing is lifted; losses incurred in the five-year period prior to the year that an enterprise qualifies as a high-tech enterprise or SME of science and technology are allowed to be carried forward for recovery for a maximum of ten years instead of five; tax policies on venture capitals and individual angel investors piloted in eight comprehensive innovation and reform areas and Suzhou Industrial Park together with preferential policies for income tax on technologically-advanced service enterprises in pilot regions for the innovative development of trade in services have been extended to nationwide scale.

From January 1st, 2019 to December 31st, 2021, taxpayers who use their own house or land, offer their houses or land to incubators for free or rent houses to incubators to set up a national-level or provincial-level science and technology incorporation incubator, University Science and Technology Parks and National Recorded Creative Space, are exempted from Real Estate Tax and Urban and Township Land Use Tax; incomes derived from providing incubating services by the above-mentioned taxpayers are exempted from VAT.

○ Raising the Pre-tax Deduction Ratio of Employee Education Expenses

Starting from January 1st, 2018, the pre-tax deduction ratio for employee education expenses is increased from 2.5% to 8% of the total wages and remunerations when calculating the taxable income for EIT.

○ Establishing a Combination of a Comprehensive IIT System and a Scheduler IIT System

Starting from October 1st, 2018, new deduction rules and new tax rates are used to calculate individual income tax on salaries and wages; and operating income of and income derived contracted or leasing activities of private businesses are subjected to new tax rates. A new IIT system integrating the comprehensive and scheduler systems came into effect on January 1st, 2019. The new system introduces six specific deductible items in IIT calculation, and categories income from wages and salaries, remuneration for personal service, author's remuneration, and royalties as comprehensive income subject to an increased deduction ratio and an unified progressive tax rates.

To ensure the smooth implementation of the new IIT law, previous preferential policies are maintained and a transition period has been set for the tax policy on annual lump-sum bonus.

○ Extending the Period of Some Preferential Policies

Preferential policies expiring by the end of 2017 and extended to stay effective until the end of 2020 include: preferential policies on deed tax and land appreciation tax for enterprises and public institutions undergoing restructuring and re-organization; VAT drawback on sales revenues of animation softwares independently developed by cartoon enterprises; and VAT exemption on the wholesale and retail of books. In addition, to encourage comprehensive resource utilization and environmental protection, exemption of excise tax on regenerated oil from wasted minerals is extended to October 31st, 2023.

Tax Revenue

- ◇ **Tax Revenue in 2018**
- ◇ **Tax Revenue Growth (1993—2018)**
- ◇ **Tax Revenue by Tax Category in 2018**
- ◇ **The Share of Tax Revenue in GDP**
- ◇ **The Share of Tax Revenue in Fiscal Revenue**

Since the fiscal reform in 1994, tax revenue in China has witnessed sustained growth along with economic development. The aggregate tax revenue in China has risen from 507.1 billion RMB in 1994 to 16995.9 billion RMB in 2018, while the share of tax revenue in the GDP has grown to 18.9 percent in 2018, up from 10.5 percent in 1994, providing a strong finance support for economic and social development.

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

Tax Revenue in 2018

In 2018, the aggregate tax revenue in China was 16995.9 billion RMB, of which 15298.2 billion RMB were collected by tax authorities and 1697.7 billion RMB were collected by customs on behalf of tax authorities, accounting for 90 percent and 10 percent of the aggregate respectively. (See Figure 4)

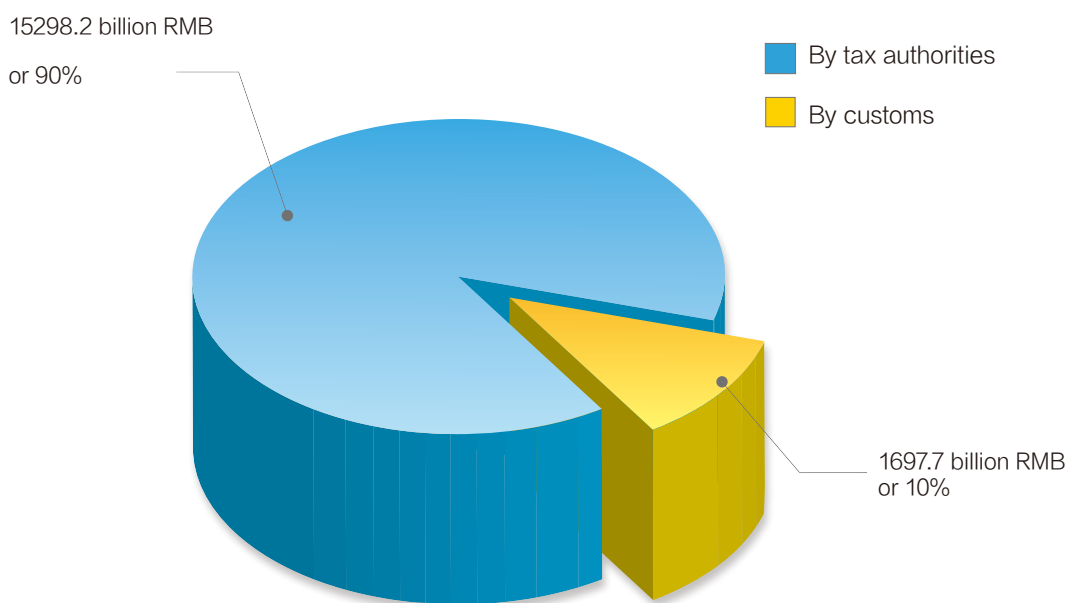


Figure 4 Tax Revenue Collected by Tax Authorities and the Customs in 2018

Tax Revenue Growth (1993—2018)

Calculated on comparable basis, tax revenue in 2018 has increased by 1422 billion RMB on a year-on-year basis, registering growth of 9.1 percent. (See Figure 5)

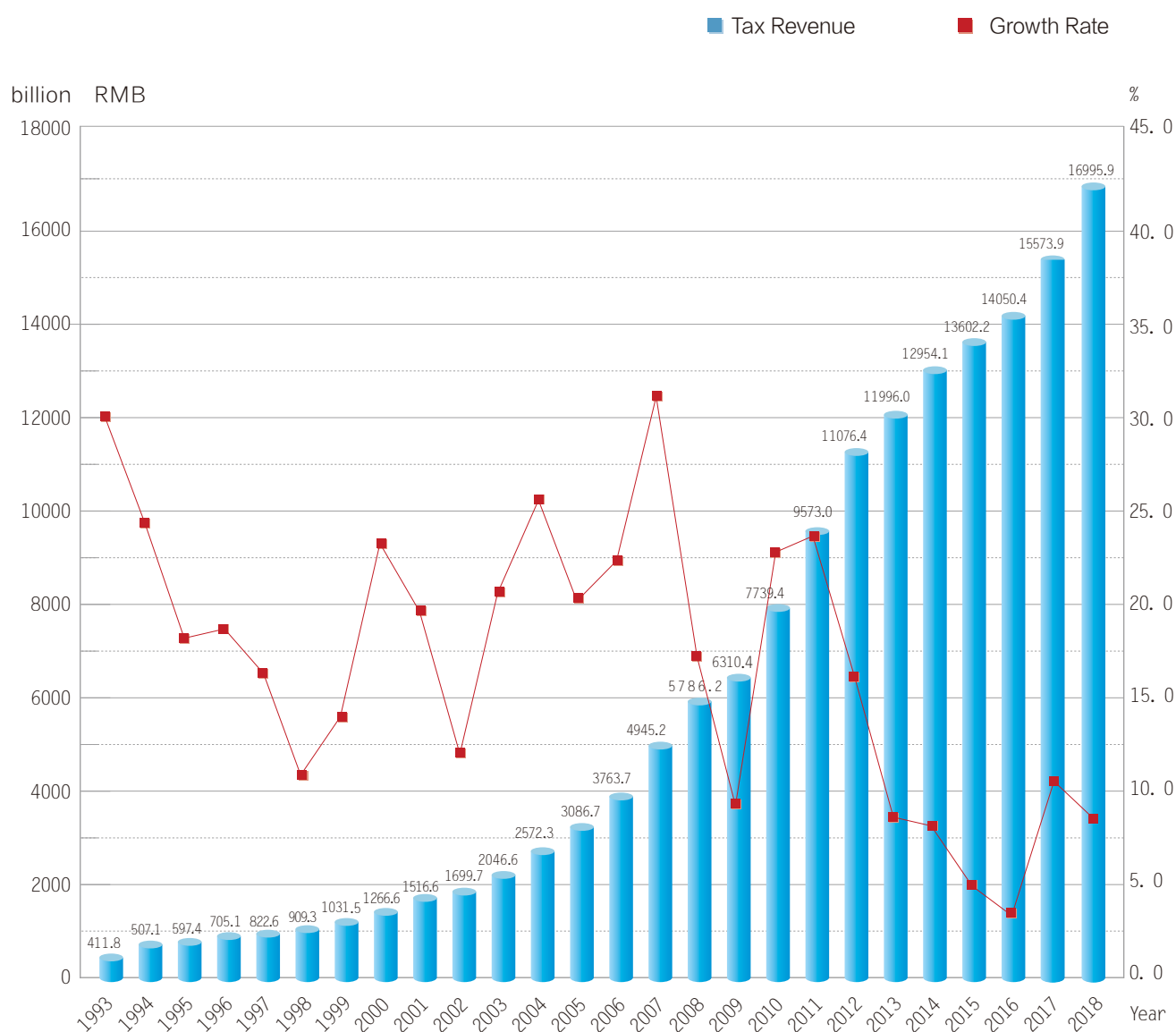


Figure 5 Tax Revenue Growth (1993-2018)

Tax Revenue by Tax Category in 2018

In 2018, tax revenue of Goods and Services Tax (GST), Income Taxes, Property and Behavior Taxes were 9283.9 billion RMB, 4936.2 billion RMB and 2775.8 billion RMB, accounting for 54.6 percent, 29.1 percent and 16.3 percent respectively. (See Figure 6)

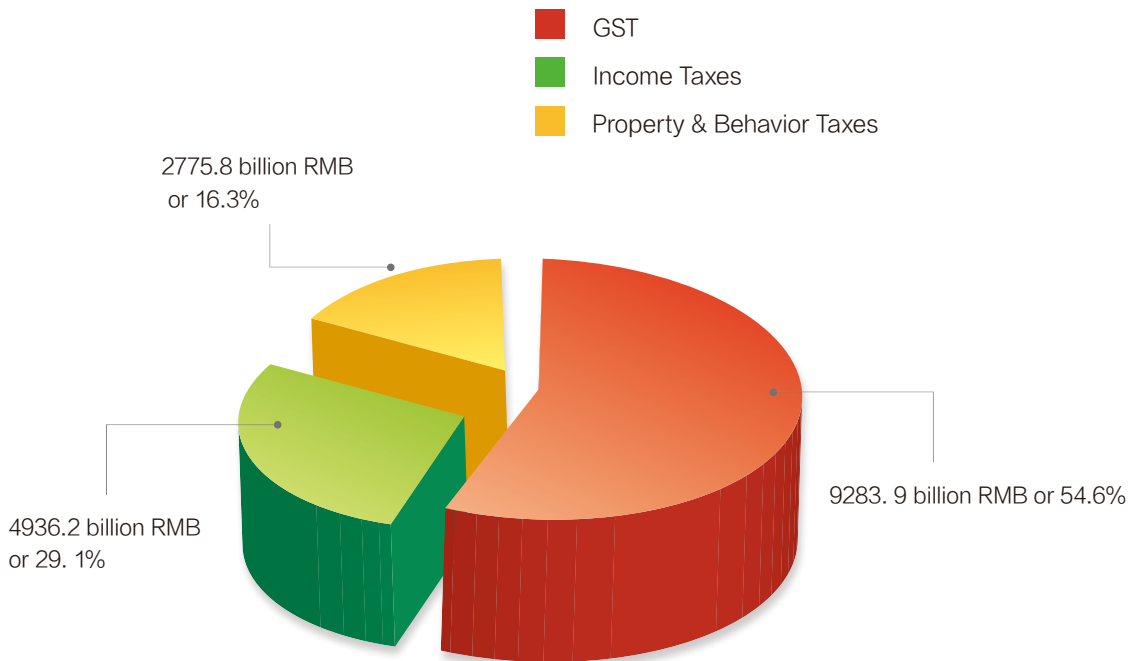


Figure 6 Tax Revenue by Tax Category in 2018

The revenues of Value Added Tax (VAT), Enterprise Income Tax, Business Tax (Business Tax in 2018 was the supplementary payment of previous years.), Excise Tax, and Individual Income Tax were 7767.1 billion RMB, 3549 billion RMB, 17.9 billion RMB, 1153.7 billion RMB, 1387.2 billion RMB, accounting for 45.7 percent, 20.9 percent, 0.1 percent, 6.8 percent and 8.2 percent of the aggregate tax revenue respectively. (See Figure 7)

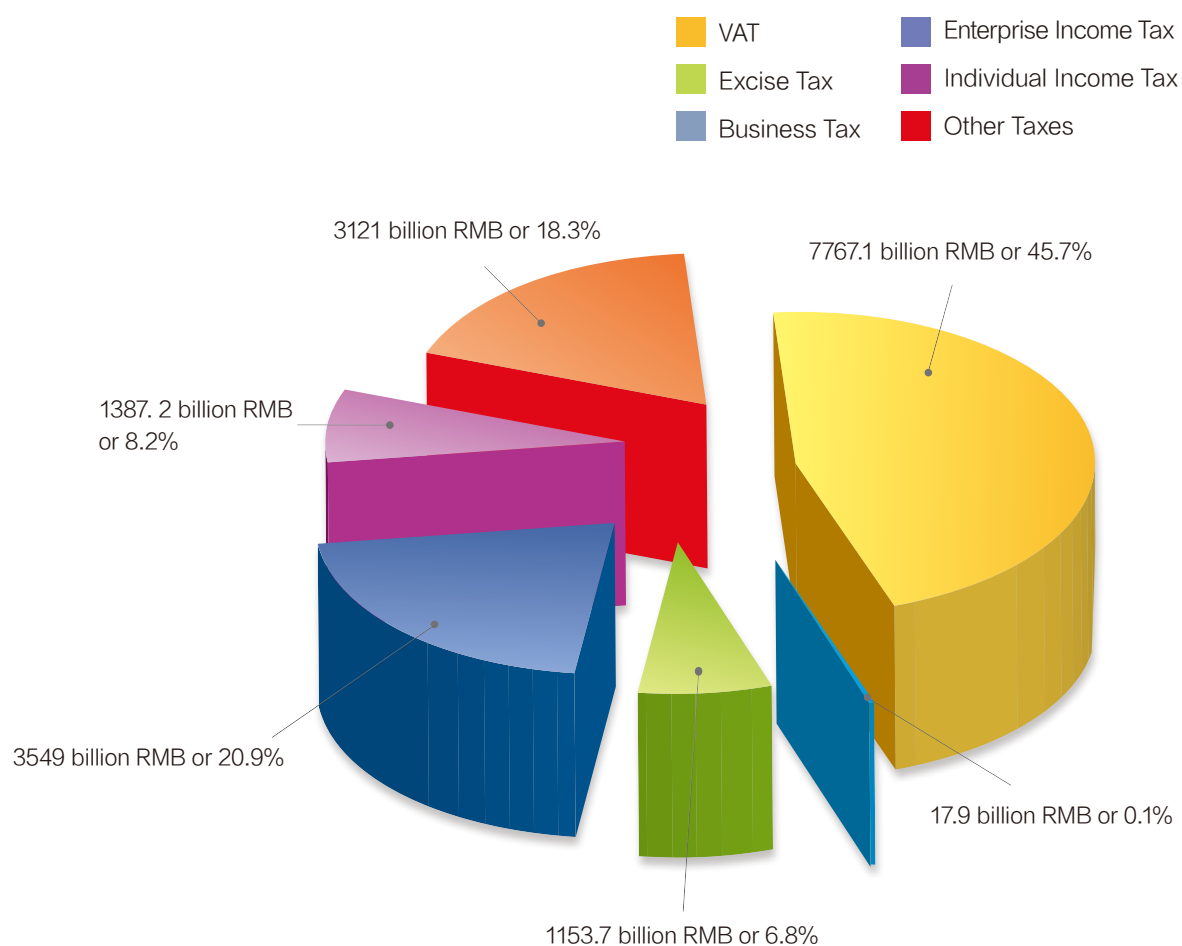


Figure 7 Tax Revenue by Tax Type in 2018

The Share of Tax Revenue in GDP

In 2018, the share of tax revenue in GDP was 18.9 percent. (See Table 3)

Table 3 The Share of Tax Revenue in GDP (1978-2018)

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	105.0
1995	597.4	6079.4	9.8
1996	705.1	7117.7	9.9
1997	822.6	7897.3	10.4
1998	909.3	8440.2	10.8
1999	1031.5	8967.7	11.5
2000	1266.6	9921.5	12.8
2001	1516.6	10965.5	13.8
2002	1699.7	12033.3	14.1
2003	2046.6	13582.3	15.1
2004	2572.3	15987.8	16.1
2005	3086.7	18493.7	16.7
2006	3763.7	21631.4	17.4
2007	4945.2	26581.0	18.6
2008	5786.2	31404.5	18.4
2009	6310.4	34090.3	18.5
2010	7739.4	40151.3	19.3
2011	9573.0	47310.4	20.2
2012	11076.4	51933.2	21.3
2013	11996.0	56884.5	21.1
2014	12954.1	63646.3	20.4
2015	13602.2	67670.8	20.1
2016	14050.4	74412.7	18.9
2017	15573.9	82712.2	18.8
2018	16995.9	90030.9	18.9

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

The Share of Tax Revenue in Fiscal Revenue

In 2018, the share of tax revenue (without deductions for export tax refunds) in fiscal revenue was 92.7 percent. (See Table 4)

Table 4 Share of Tax Revenue in Fiscal Revenue (1978-2018)

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

Taxpayer Service

- ◇ **Launching the Spring Breeze Project**
- ◇ **Establishing the Tax Credit Rating System**
- ◇ **Increasing Tax Transparency**
- ◇ **Upgrading Taxpayer Service**
- ◇ **Protecting Taxpayers' Rights**
- ◇ **Branding the 12366 Tax Service Platform**
- ◇ **Issuing New Regulations for Professional Tax Services**

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

In 2015, the *National Taxpayer Service Standard* was promulgated by the STA to standardize taxpayer service throughout China.

From 2014 to 2018, the Spring Breeze Project was launched and implemented within the STA system to streamline tax collection and administration processes in pursuit of reducing compliance burden for taxpayers.

Launching the Spring Breeze Project

In 2014, the STA rolled out the Spring Breeze Project to facilitate taxpayers. Now into its fourth year, a total of 90 items spanning 26 categories of service measures have been made available to taxpayers for their convenience, continuously improving the overall tax environment and taxpayer satisfaction.

In 2018, the STA continued to forge ahead with the Spring Breeze Project with the theme of "New Era, New Taxation" by putting forward twenty new items in five categories of service measures to further improve tax environment and taxpayer satisfaction, sparing no efforts in branding itself as a quality service provider.

Table 5 New Measures of the Spring Breeze Project (2018)

Theme	Measure
Increasing policy certainty	1. Improving tax system
	2. Optimizing tax collection and administration policies
	3. Upgrading legislation in taxation
	4. Enhancing policy openness and interpretation
Increasing administrative standardization	5. Improving law enforcement
	6. Promoting taxation on real-name basis
	7. Implementing tax credit management
	8. Enhancing tax risk management

(continued)

Theme	Measure
Increasing system stability	9. Speeding up construction of electronic taxpayer service system
	10. Simplifying document submission
	11. Promoting tax–business sharing of financial reports
Increasing service efficiency	12. Improving services in tax service halls
	13. Strengthening coordination between local and state tax authorities
	14. Simplifying tax return filing
	15. Innovating invoice application and issuance
	16. Promoting check–list service
Upgrading tax environment	17. Strengthening services for large enterprises
	18. Improving tax environment for businesses
	19. Enhancing social credit management and public governance
	20. Facilitating economic development strategies

Establishing the Tax Credit Rating System

The STA has established a modern tax credit rating system by promulgating the *Administrative Measures on Tax Credit Rating (Provisional)* and the *Tax Credit Rating Indices and Methods (Provisional)*. In 2018, 23.88 million qualified taxpayers were assessed on their tax compliance for the year of 2017, among which 1.094 million were rated A-level and 1.175 million D-level, accounting for 4.58% and 4.93% of the total respectively.

Emphasis has been placed on the application of tax credit rating results. By entitling A-level taxpayers to more favorable treatments and subjecting D-level taxpayers to stricter scrutiny in a wide range of tax-related matters such as application for invoice issuance and VAT refunds on exported goods, the STA has effectively lowered compliance costs and improved overall compliance. To further explore the add-values of the rating system, the STA has sought innovative cooperation with the China Banking Regulatory Commission (CBRC) in "Bank-Tax Cooperation", particularly with China Construction Bank (CCB) in online "Bank-Tax Cooperation", to alleviate financing difficulties for small and micro businesses by extending financing solutions from offline to online.

The STA is also an active participant in the construction of social credit system, and has signed 53 Memoranda of Joint Actions on Rewarding Honesty and Punishing Dishonesty with other government branches including customs, environmental protection, public security, food and drug administration, etc. The STA has also signed a *Cooperation Framework on Credit Sharing and Application* with the State Development and Reform Commission to further explore mechanisms in credit sharing, mutual rating recognition and cooperation in reward and punishment with respect to credit rating results.

Increasing Tax Transparency

To increase tax transparency, the STA has:

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

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

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

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

Upgrading Taxpayer Service

To upgrade taxpayer service, the STA has:

Enhanced the overall taxpayer service system by making further improvements in the following areas: first-contact person accountability, processing time limits, service reservation, off-time service, one-off notice, 24-hour self-service, and one-stop service for all taxpayers at all tax service halls. By the end of 2018, 7386 out of the 8807 tax service halls across China are able to provide one-stop service for taxpayers.

Simplified processes in tax-related matters to save taxpayers repeated visits to different offices; promoted paperless filing and pre-filing service to relieve compliance burdens; implemented one-stop service on municipal, provincial and national levels to allow taxpayers to complete tax-related matters at the venue of their own choice; offered "package service" for newly established enterprises to complete up to ten tax-related matters with a single application; and upgraded 103 items in five types of service measures to guarantee just one or even no show in person for taxpayers to have their tax-matters processed at the tax service hall or via online platform if all necessary documents are provided to tax authorities.

Applied innovative service methods including online service (as in invoice application and issuance), Quick Response (QR) code and self-service terminals to make tax compliance more convenient, efficient and accessible to taxpayers.

Protecting Taxpayers' Rights

Starting from 2013, the STA has stepped up efforts in protecting taxpayers' rights by clarifying detailed requirements on such aspects as rule-based administration, dispute resolution and establishment of taxpayers' rights protection departments. In 2015, the STA revised the *Guidelines for Taxpayer Services Complaints* to improve related work mechanism. In 2016, the STA took extra steps to establish a complaint handling mechanism by integrating existing complaint channels and improving the complaint response mechanism.

After an upgrade in its work mechanism on collecting and responding to taxpayer requests and improving taxpayer service in 2016, the STA has conducted nationwide surveys on tax administration and taxpayer service for two consecutive years, with 320000 taxpayers and 110000 tax service officials involved in 2017 and 45000 private enterprises in 2018. By shedding light on the needs from both taxpayers and tax officials engaging in taxpayer service, the surveys have provided guidance to further improve taxpayer service, satisfaction and compliance.

Strengthened international exchanges in the area of taxpayer protection were also seen in recent years. In 2017 and 2018, the STA worked with the International Bureau of Fiscal Documentation (IBFD) on profiling the status quo of taxpayer protection in China, laying the foundation for future assessment in this area by international organizations.

Branding the 12366 Tax Service Platform

On January 20th, 2017, the 12366 taxpayer service platform was launched online to provide services in consultation, inquiry, education and processing of tax-related matters. In a further attempt to create momentum for the "Internet + Public Service" endeavor, speed up the construction of a service-oriented tax administration, and take better advantage of the IT reform to facilitate compliance, the STA decided to update and improve the 12366 taxpayer service platform into a versatile and intelligent taxpayer service system by giving full play to AI, big data, mobile internet and other information technologies. When completed in December 2018, the platform can provide taxpayers services in tax consultation, inquiry, training, returns-filing and rights protection in a customized fashion and via both online and offline channels. (see figure 8)

Issuing New Regulations for Professional Tax Services

In May 2017, the issuance of the *Measures on Regulating Professional Tax Services (Provisional)* marked a significant innovation and breakthrough in the regulation of professional tax services by the STA. The professional tax service industry is thus subject to market competition with the STA taking effective measures to streamline administration, delegate powers to lower level tax authorities and abolish unnecessary approvals. In the meantime, the STA has also innovated regulation through interim and post-event supervision, and highlighted quality service to better serve taxpayers and tax service professionals. In October 2018, the *Guidelines on Credit Scoring Indices and Credit Rating for Tax Service Professionals* was issued to further improve the credit system of the professional tax service industry.

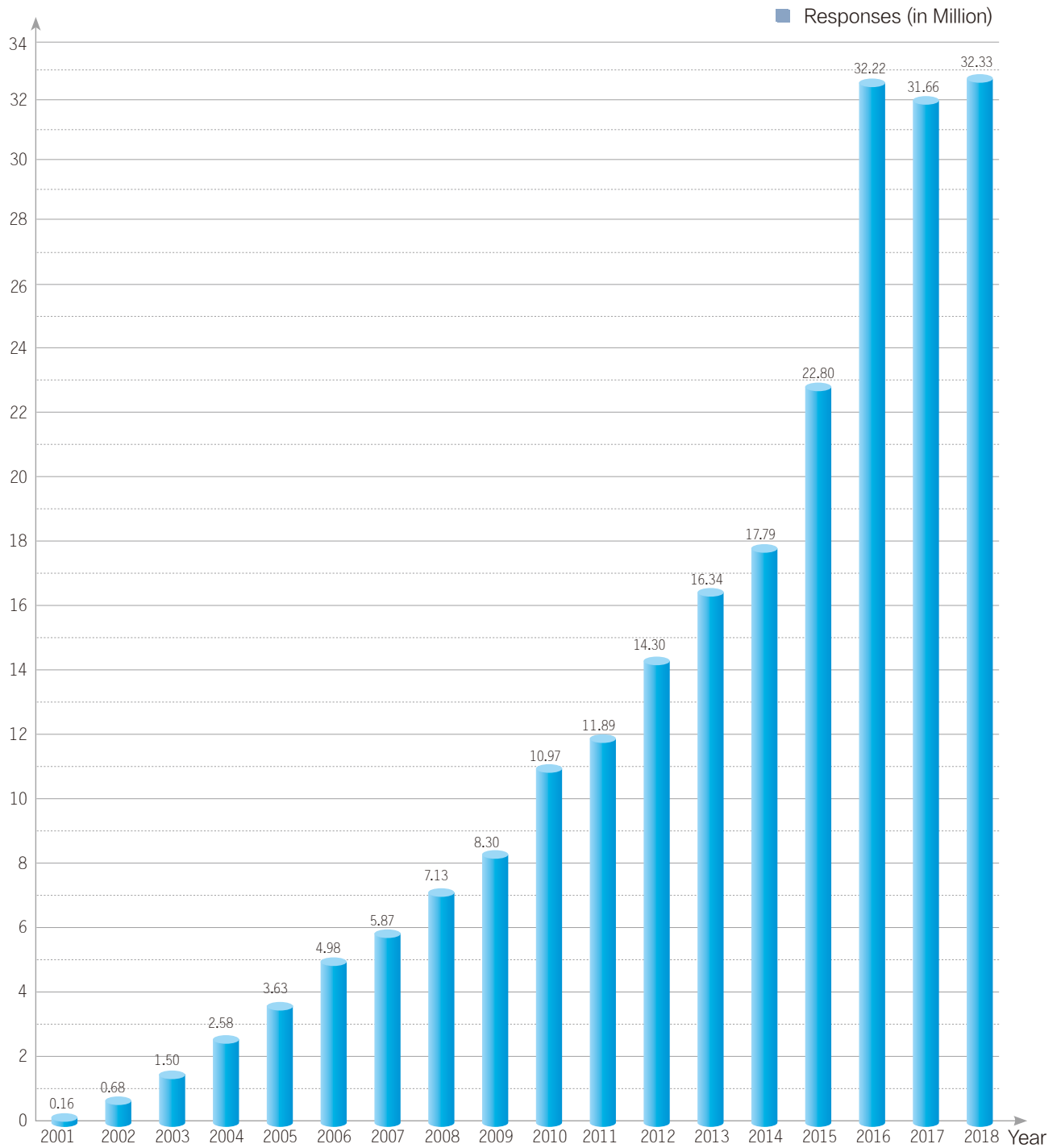


Figure 8 Answered Telephone Inquires by 12366 Service Center (2001-2018)

Tax Collection and Administration

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

A fiscal reform, setting up the dual tax administration at sub-central levels in 1994, ignited a series of tremendous changes to tax collection and administration system. In particular, a taxpayer-oriented tax collection and administration model proposed in 1997 was intended to leverage computer networks, administrative centralization and targeted auditing. Gradually, a new balance was struck between collection, administration and auditing.

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

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

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

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

Compliance Risk Management

A variety of information types obtained from many sources and through different channels helps the Chinese tax administration to keep taxpayers on their radar. The risk management approaches adopted by the Chinese tax administration include risk analysis and identification, work distribution, risk treatment, process monitoring, evaluation and feedback, constituting a turbo charger. (See Figure 9)

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

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



Figure 9 Risk Management Process

Large Business Taxation Administration

In July 2018, according to the *Plan of Reform on Tax Collection and Administration System of State and Local Tax Administrations* promulgated by the General Office of the Communist Party of China (CPC) Central Committee and the General Office of the State Council. The CPC Committee of the STA decided to set up the Large Business Tax Service and Administration Department at provincial and municipal levels, responsible for risk analysis and treatment, economic analysis, tax base monitor and personalized service for large businesses which indicated a positive step forward of the large business taxation administration.

○ Improving Data Management and Information Support

In 2018, the large business tax service and administration departments of multiple levels nationwide performed service and administration to the amount of 2050 top groups featuring annual tax payment of over 100 million. These groups were comprised of 220 thousand companies whose overall tax payment reached about six trillion, contributing to 43.41% of the national tax revenue. In order to improve the data management and quality, the Large Business Taxation Management System (the Tax Audit Software) has been put to trial use nationwide since April 1st, 2018. On October 18th, 2018, the Large Business Taxation Service and Management Working Platform was put to trial use nationwide.

○ Enhancing Risk Analysis on Large Businesses

The Risk Indicators and Models version 3.0 was motivated, consisting of 1668 indicators in total for 50 key sectors, covering 80% of industries. The risk analysis procedure was detailed and standardized. Expert teams were established to perform risk assessment on key industries and influential issues. As a result, the risk management efficiency was greatly enhanced.

○ Improving the Efficiency and Efficacy of Services to Large Businesses

The STA's efforts to handle their complicated tax issues are highly spoken by large businesses. Symposiums on service for large businesses are held to learn about the local offices' practice and the large businesses' requests. Accordingly, the strategies and priorities for providing efficient service in the new situation are clarified.

○ Strengthening Tax and Economic Analysis on Large Businesses

The STA is taking advantage of the global comparative XBRL-based data to broaden the global insight of economic analysis. It compiles the Economic Dynamics with a collection of economic data and information, which conducts a study and analysis of the macroeconomic situation and trend from the perspective of supply, distribution, consumption, monetary, internationalization, circulated development, etc.

International Taxation Administration

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

○ Preventing and Cracking Down International Tax Evasion and Avoidance

The STA has made great efforts to improve the effectiveness of cross-border tax administration, make tax service more targeted, and reduce resistance in tax investigation, with an aim to promote foreign investment in China and facilitate international economic cooperation from all aspects. It issued the *Announcement on Matters Regarding the Submission and Administration of Master File in Contemporaneous Documentation* to streamline procedures, optimize the administration of contemporaneous documentation and alleviate the burden of taxpayers. Concerning the anti-tax avoidance administration on individuals, the STA set up the legal regime by incorporating anti-tax avoidance articles into the *Individual Income Tax Law* and its Implementation Regulations in order to provide legal foundation for its anti-tax avoidance measures on individuals.

In 2018, the priority of the anti-tax avoidance work was to monitor the profit level of cross-border related-party transactions and build a more comprehensive anti-tax avoidance system which integrates administration, service and investigation. In this way, the institutional infrastructure will be constantly consolidated, human

resource will be guaranteed and international tax cooperation will be strengthened.

○ Promoting Bilateral Advance Pricing Arrangements (APA) and MAP

In order to avoid and eliminate international double taxation, the STA has been actively engaged in APAs and transfer pricing MAP cases. In 2018, it signed fourteen bilateral APAs and made 25 transfer pricing corresponding adjustments, resulting in an amount of 3.5 billion RMB relief from international double taxation for multinational enterprises. In 2018, the STA conducted MAP negotiations on 39 cases of tax disputes with sixteen concluded.

○ Optimizing Tax Policies and Tax Administration of Non-Residents

In 2018, the STA rolled out growth-friendly tax policies in order to push for a new pattern of all-round opening up. It worked with the Ministry of Finance and other departments to introduce favorable tax policies to support the opening up of crude-oil futures markets and financial markets, further expand the scope of temporary exemption of withholding tax on overseas investors' profits that are directly invested in China and temporarily exempt the Enterprise Income Tax and VAT on interests derived by overseas institution from bond markets in China for three years. By deepening the reform of "delegating power, streamlining administration, and optimizing government services", the STA abolished the approval procedure for consolidated tax payment of the establishments and places of non-resident enterprises to simplify tax filing procedures and facilitate compliance of taxpayers. The STA has continued to strengthen the risk management of non-residents with particular types of income, optimize the IT system of international taxation, broaden the scope of information sharing with other government agencies, and

improve the tax service and administration system for cross-border transactions. In addition, it also strived to enhance its service and administration for outbound investments.

In 2018, the non-resident enterprise income tax of China amounted to 176.945 billion RMB, with a year-on-year increase of 6.5%.

○ Advancing Tax Service and Administration for Outbound Investment

In 2018, as part of its efforts to upgrade tax administration and services for outbound investment, the STA refined its measures to facilitate the BRI from the tax perspective. It accelerated its pace of the conclusion and revision of Double Taxation Agreements (DTAs) to improve the international tax legal safeguard for outbound investment. It helped businesses with overseas operations settle tax disputes and avoid double taxation 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 and upgrade the taxpayers on tax treaties, tax policies and administrative measures on outbound investment, resolution and countermeasures of tax disputes and so on. Besides providing consultancy service on tax policy for enterprises with foreign investment, it published and updated 63 tax guides for investment in 63 countries and jurisdictions, bringing the total number of tax guides to 84. Continuing to deepen tax cooperation with the BRI jurisdictions, it co-organized the Belt and Road Initiative Tax Cooperation Conference (BRITCC) in Astana, Kazakhstan, during which the *Astana Proposal by BRITCC Participating Jurisdictions for Enhancing Cooperation in Tax Matters* was issued; it hosted a working group meeting on the BRI tax cooperation and propelled the establishment of a tax administration cooperation mechanism under the BRI. It helped developing countries in capacity

building to provide a better tax environment for corporations with overseas operations. The STA also established a tax administration system for outbound investment on the basis of risk management, providing tax-related risk alerts for outbound investors so as to improve their compliance.

○ Upgrading Tax Treaty Implementation

In 2018, the STA successively introduced the *Announcement on Issues Concerning Beneficial Owner in Double Taxation Agreements* and the *Announcement on Issues Concerning the Implementation of Double Taxation Agreements*. Drawing on BEPS outcomes, the first announcement improved the accuracy of the criteria to determine beneficial ownership. Arrangements with comparatively higher risk of treaty abuse are dealt with effectively while those without purpose or result of treaty abuse are allowed to enjoy treaty benefits, resulting in more certainty in claiming tax treaty benefits. The second announcement made further clarification on issues concerning the application of tax treaties to marine and air transportation, artistes and sportsmen, permanent establishments as well as partnerships.

Tax Auditing

In 2018, the tax auditing bureaus at all levels severely cracked down on various tax crimes, investigated and penalized any violation of tax laws and regulations, advanced the auditing modernization and improved their work efficiency and efficacy. A total of 205.2 thousand taxpayers were audited through filing tax cases for inspection, organizing random investigations, self-checks as well as other auditing and supervising actions by tax auditing departments at all levels, resulting with 168.653 billion RMB worth of tax adjustments collected.

○ Enforcing Two-Year Special Action of Fighting VAT Refund Frauds through False Issuance

Cooperating with the Ministry of Public Security, the General Administration of Customs, and the People's Bank of China, the STA launched the two-year special action of fighting VAT refund frauds through false issuance of invoices, aiming to severely attack false invoice issuance of the "fake entities" without business substance and "fake export" without actual export transactions. In 2018, 114.1 thousand companies were inspected and penalized on tax frauds and false invoices, from which a worth 115.393 billion RMB of issued or accepted false invoices were identified, resulting in a recovery of 14.905 billion RMB in tax revenue.

○ Improving the Tax Compliance of the Film Industry

As required by five departments, including the Publicity Department of the CPC Central Committee, to manage issues such as huge paycheck and tax evasion through cheating contracts in the film industry, the STA launched the compliance action in cooperation with related departments. It has publicized tax policies and assisted taxpayers to conduct self-check and self-correction. Consequently, the tax compliance was increased in the film industry; taxpayers' legal rights were protected; a fair competition environment was shaped; and the health development of the film industry was achieved.

○ Promoting IT-based Auditing and Supervision through "Two Randoms" Selection and Timely Publicity

The STA continuously promoted IT-based auditing and big data application. Multiple information systems were established and improved such as Tax Auditing Two Randoms Platform, Assisted Investigation Information System, Inspection Cases Monitoring Platform, Tax-Police Coordination Platform, Cases Selection and Analysis System, Inspection Case Video Command System, etc. It continued to polish working guidelines and build information platforms. It also promoted random selection of major auditing objects, enhance collaboration based on joint punishment mechanism and enforce "Two Randoms" Selection and Timely Publicity which help regulate inspection and law enforcement and maintain fair competition. In 2018, tax administrations at all levels carried out random tax inspection on 67 thousand entities, recovering 70.895 billion RMB in tax revenue.

○ Severe Crack-Down on Invoice Crimes

In 2018, a total of 124.1 thousand cases of invoice-related crimes were investigated and prosecuted. The tax authorities confiscated 12.702 million illegal invoices and recovered tax liability of 59.81 billion RMB. Table 6 as below demonstrates the achievements of the campaign against invoice crimes from 2009 to 2018.

Table 6 Results of the Campaign against Invoice Crimes (2009-2018)

Item \ Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cases (Thousand)	21.8	44.4	90	110	91	102	95.2	123.9	147.2	124.1	949.6
Number of Invoices (Million)	92	660	350	135	130	64	31	15	18	14	1509
Criminal Dens Involved	1498	3291	4771	1388	1414	3000	2678	439	1765	1035	21279
Criminal Groups Involved	844	1593	400	660	549	432	382	580	1584	728	7752
Number of Illegal Co. Examined (Thousand)	28.3	74.8	80	100	89	99	92.7	122	143	122	950.8
Losses Recovered (Billion RMB)	1.696	4.59	7.1	10.151	13.8	12.9	18.021	24.882	64.84	59.81	217.79

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

Since the first blacklisted cases were disclosed in October 2014, a total of 16642 blacklisted cases have been published and 199.9 thousand entities were referred to relevant government agencies by tax authorities at all levels for joint punishment. The joint punishment system has played its part in financing credit rating, government purchase, land supply, bond issuance and so on. During 2018, tax authorities of all levels published 9344 blacklisted cases and referred 114.1 thousand entities to relevant authorities for joint punishment. Of all the blacklisted businesses published across the country, 1417 have voluntarily paid taxes, interests and penalties. The STA revised and published the *Mechanism of Tax Violation Cases and Information Disclosure* to further increase the supervision over the illegal and dishonest enterprises.

Export Refund Management

In 2018, the STA accelerated processing export refund and updated the export refund guide. It optimized the management of tax refund for comprehensive foreign trade service companies, clarified the export refund issues for small-scale taxpayers and improved the port of shipment refund management. It also enhanced the coordination between tax collection and refund, and expanded the scope of departure tax refund policy which ensures a timely and accurate export refund for enterprises and relieve their cash flow burden supporting the sustained, stable and healthy development of foreign trade. The tax authorities across China processed a total of 1501.38 billion RMB in export refunded (exempted) taxes with a year-on-year increase of 9.7%.

○ Accelerating Export Refund Processing

In order to further shorten the processing time, the STA published the *Notice on Accelerating Processing Export Refund* in October 2018 which adjusted and optimized classified management for export enterprises. It has relaxed restrictions on rating Class A and Class B enterprises. Paperless refund filing was carried out comprehensively covering two aspects, i. e. covering all regions and all Class A and Class B enterprises. Average time for tax authorities across the country to process the regular tax refunds has been shortened from thirteen working days to ten working days.

○ Updating the Export Refund Guide

In order to implement the vision of "delegating powers, streamlining administration and optimizing government services" among tax authorities and to standardize and optimize the export refund (exemption) management and service, the STA updated the guide into the *Export Refund (Exemption) Management Guide Version 2.0* based on the export refund processing position, risk control measures were embedded in each related position, process and step of export refund and exemption, the refund procedure and documentation were streamlined and refund management policies were updated which together reduced the compliance burden of companies and local tax authorities and promoted the efficacy and efficiency of refund management and service.

○ Streamlining the Refund Procedure

While revising the export refund guide, the STA formulated and announced the *Notice on Export Refund Filing* which streamlined refund procedure and decreased filing documents. The Notice also canceled the pre-filing requirement and simplified six documents such as the *VAT Return Form* and *Export Refund Reporting Form*. Requirements for extended export refund filing and space launch business reporting were detailed and standardized, making refund filing more convenient.

○ Improving the Port of Shipment Refund Management

In 2018, the STA formulated and published the *Notice on Port of Shipment Refund (Exemption) Management Measures* (Revision as of December 28th, 2018) which clarified the requirements and deadlines of applying the port of shipment refund (exemption) policy for export enterprises, added the follow-up management provisions for businesses who were not able to finish the customs declaration and filing within two months due to force majeure and clarified that enterprises do not have to provide paper customs declaration for exports after April 10th, 2018 while performing the filing. Thus, the compliance burden of enterprises was further relieved.

○ Enhancing the Coordination between Collection and Refund

In 2018, information between the refund division and the collecting division was better shared, realizing big-data-based risk analysis of export businesses from export refund and exemption recording, taxpayer registry, tax refund (exemption) filing, tax filing, export refund (exemption) approval and VAT collection, and collaborated prevention and crack-down on the fraudulent export refund claims with auditing departments which helped accelerate refund processes, plug loopholes of tax laws and regulations and prevent tax risks.

○ Expanding the Scope of Implementing Departure Tax Refund

By the end of December 2018, the policy of Departure Tax Refund has been implemented in 26 provinces in total across the country. Among them, Hebei, Chongqing, Guangxi, and Jiangxi provinces are newly added places where the departure tax refund policy was first implemented in 2018.

Development of IT-Based Taxation

- ◇ **VAT Administration Information System**
- ◇ **Golden Tax Project Phase Three**
- ◇ **Big Data Management and Application**
- ◇ **Development of IT-Based Individual Income Taxation**

The IT development of taxation started from scratch in the 1980s. Rapid development ever since has helped the STA build a set of existing integrated and web-based information systems.

The current information systems in operation mainly consist of the VAT Administration Information System and the Golden Tax Project Phase Three. The big data management and IT-based Individual Income Taxation have achieved new progress.

VAT Administration Information System

The VAT Administration Information System is a circular system composed of six sub-systems, which are anti-counterfeiting control invoicing, authentication, filing, cross-checking, verification and cooperative investigation respectively (see Figure 10), forming a closed-loop control of VAT special invoices. The system has helped enhance the VAT administration efficiency, improved the quality of taxpayer service, reduced the cost of collection, and prevented tax losses, ensuring steady growth of VAT revenues. It has also contributed significantly to the goals of building a level playing field and maintaining steady growth of tax revenues in China.

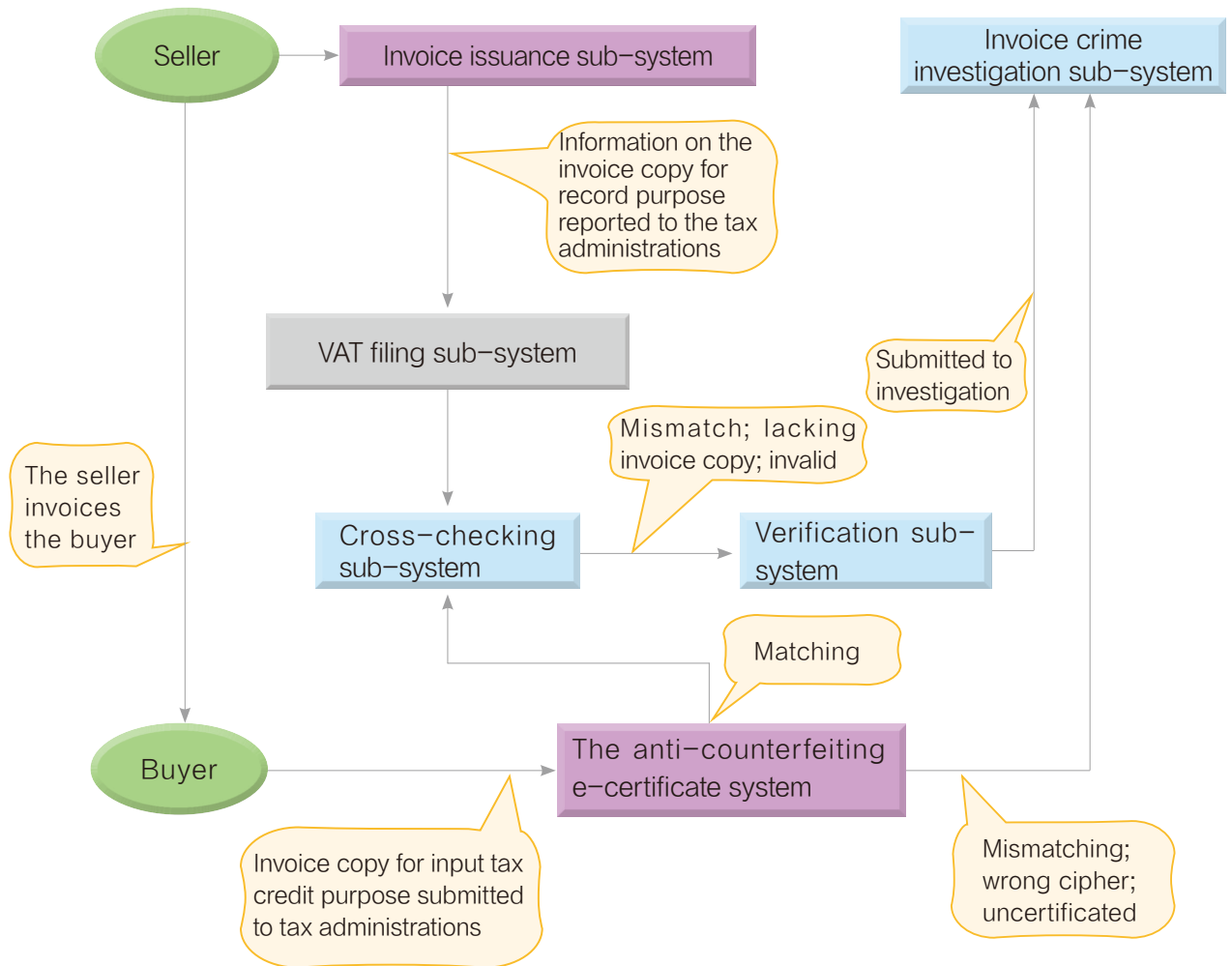


Figure 10 The VAT Administration Information System

○ The VAT Administration Information System Consisting 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 tax administrations to obtain a correct understanding of the seller's invoicing information, so that tax revenues are monitored and controlled at source.
- ◆ The anti-counterfeiting authentication sub-system. It scans, deciphers and compares the ciphered and plain text images on VAT invoices to authenticate the invoice. The data are then fed into the cross-checking sub-system or the invoice cooperative 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. Then it refers the invoices suspected of tax evasion and fraud to the invoice crime investigation sub-system.
- ◆ The invoice cooperative investigation sub-system. It refers the invoices that are suspected of being involved with breach of tax laws and regulations from the verification and authentication sub-systems to the appropriate tax administrations in another region. The STA oversees the cooperative investigation via this sub-system to ensure the effectiveness and efficiency of the investigation.

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

- Collecting a complete set of data. The new system collects all the numerical and textual information on the invoice, including name of the taxpayer, name of the goods, unit price, quantity, tax amount, tax rate, etc.
- Transferring information in real time. The new system shifts from the offline invoicing and regular reporting to online, real-time uploading invoice information to tax authorities.
- Storing information in the electronic account. The new system gives a digital certificate signature to each invoice issued by the taxpayers, forming an electronic account database by supervising the entire process and sending the information to tax authorities.

In 2016, the STA introduced a new system within the scope of the Business Tax to VAT reform pilot program, ensuring that all new VAT taxpayers can issue their VAT invoices in time. The STA also improved the new system so the VAT general taxpayers of Credit Levels A, B and C could be exempted from authenticating their VAT invoices. The STA strengthened data application in the new system and expanded the database with all the information on VAT invoices collected. The STA also enhanced the use of electronic records database, which has effectively prevented and cracked down on the violation of tax laws such as false VAT invoices and input tax deductions.

In 2017, the new system saw widened coverage and increased efficiency. The STA introduced a national VAT invoice verification platform to check the authenticity

of invoice information and promote the development of social credit system. To accommodate to socio-economic progress, the STA promoted electronic invoices for heavy issuers in e-commerce, telecommunications, finance, express delivery, public service, etc. and taxpayers in need of such system. The lottery invoice pilot program was introduced to encourage customers to ask for invoices, so as to create a more standardized and equitable tax environment.

In 2018, the STA expanded electronic invoices to more taxpayers by initiating electronic ordinary invoices for tollways nationwide. The time to process invoices application has been shortened by integrating procedures, speeding up approval and encouraging online application, which is significant for newly founded enterprises. The STA continued to advance the "Two Expansion Programs", i. e. expanding invoices authentication exemption to include Tax Credit M taxpayers and expanding VAT special invoices issuance to include small-scale taxpayers in industries such as manufacturing, mining, public utilities, information transmission, software and IT services.

Golden Tax Project Phase Three

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

In 2015, the STA started to promote the system across China. By October 2016,

the main application systems were put into use nationwide, marking a new step forward of IT development in taxation.

The year 2018 witnessed stable running of the system, making it a fundamental and backbone-like tax administration information system that helps tax authorities with service provision and decision making. In the meantime, the STA optimized and expanded functions of the system and developed a big data cloud platform to ensure smooth implementation of tax and administration reforms, providing strong IT support for the improvement of national and tax governance.

Along with the promotion of the system across the country, the STA has continued to improve the system in terms of functionalities, performance and user experience. It strives to build a data standardization and administration system for taxation purposes by centralizing data at the national level, unifying data management and focusing on data application.

Big Data Management and Application

○ Applying Big Data Innovatively

The Big Data Cloud Platform of the STA integrates data comprehensively through centralized data mining, direct reporting from tax authorities, and data collecting from taxpayers. It effectively fills in the gap of cross-province data sharing and takes advantage of data integration. Multiple applications has been developed such as taxpayer profile, invoice analysis, correlations cloud atlas, VAT invoice risk control, cross-regional coordination in risk management and "Two Random" selections for tax auditing. Provincial tax authorities are encouraged to develop personalized applications utilizing the platform. Accordingly, based on the Big Data Cloud Platform, a working platform has been established to support scientific decision making and precise governance, providing various big data applications.

○ Utilizing Big Data to Support Tax Reforms

The STA has made full use of big data to establish a basic "three-in-one" analysis platform which can perform operation analysis, tax burden calculation and effect analysis for major tax reforms, such as Individual Income Tax reform, Environmental Protection Tax collection, VAT rate schedule simplification, refunding of input VAT to be deducted, social security contributions and other non-tax revenues collection, and legislation on Vehicle Purchase Tax and Stamp Tax. Upon the analysis platform, traditional analysis approaches were reconstructed while the big data approach made breakthroughs in matching data demand with supply and integrating data from different sources such as the tax collection and administration system, the electronic records system and the export refund system.

○ Employing Big Data to Promote a Cooperative Tax Governance

Based on the external information exchange system of the Golden Tax Project Phase Three, the STA can share information with more than 20 other government departments including the People's Bank, the Ministry of Finance, the Environmental departments, and the Customs. It actively shared the white list and the black list with the National Development and Reform Commission in sixteen areas such as the list of unfaithful persons subject to enforcement from the Supreme Court, the list of irregularly-operated businesses identified by industrial and commercial administrations and the list of license withdrawal and penalty. These measures have boosted joint reward and joint punishment across departments. Based on the ID information provided by the Ministry of Public Security, the STA initiated the taxpayer ID authentication program, which became one of the best practices in e-governance presented to the State Council. The STA promoted direct information exchange with the headquarters of China Construction Bank and Bank of Communications to support the sound development of faithful enterprises, especially the small and micro businesses.

Thus, a sound cooperative tax governance at multiple levels, in various areas and across different regions has been achieved.

○ Using Big Data to Lead Modernization and Innovation

Relying on three computing engines, namely the cloud stream computing, real-time computing and big data computing, and the mass storage of integrated data, the tax authorities have constantly improved its ability in data supply and decision making. It also explored creative methods in individual taxation, electronic taxpayer service system and personalized tax services, working its best to promote tax modernization.

Development of IT-Based Individual Income Taxation

To ensure the successful implementation of Individual Income Tax Reform, the STA developed the Individual Taxation System (hereinafter referred to as the ITS), based on Internet Plus and big data technologies, and has laid a solid foundation for accelerating the modernization of the national tax governance system and capacity.

After the Golden Tax Project Phase Three was launched across the country, the ITS went online on October 1st, 2018 and December 31st, 2018 in different phases, supporting the implementation of the new Individual Income Tax policy, including six itemized deductions for Individual Income Tax and comprehensive income. The tax authorities have also provided innovative services utilizing the internet. As a result, nearly 300 million individual taxpayers can file taxes via the mobile application, the Internet Web, withholding client software or in person at the service hall. The ITS marked a new stage in China's individual tax collection and administration mechanism and has largely advanced the modernization of tax governance system and capacity.

Exchanges and Cooperation

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

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

Multilateral Exchanges and Cooperation

In recent years, the STA has actively enhanced its exchanges and cooperation with international organizations such as the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the World Bank Group (WBG) as well as regional taxation organizations such as the Study Group on Asian Tax Administration and Research (SGATAR), the African Tax Administration Forum (ATAF), the Inter-American Center of Tax Administrations (CIAT), the Inter-European Organization of Tax Administration (IOTA) and others located in Asia, Africa, Europe and the Americas. It has been deeply involved in tax agendas under the framework of the G20, including the BEPS project, the CRS project, and providing assistance to developing countries in capacity building. In deepening tax cooperation with BRICS countries, it attended the 6th Meeting of BRICS Heads of Tax Authorities held in Johannesburg, South Africa in June 2018. It took part in key projects initiated by the Forum on Tax Administration (FTA), and co-led with Canada on the capacity building project. Mr. Wang Jun, the STA Commissioner, attended and addressed the Advisory Committee of the Forum on Tax Administration held in Paris, France in November 2018. As a member of the SGATAR, the STA hosted its 48th Annual Meeting in Hangzhou in November 2018, pushing forward with the reform of SGATAR and increasing the quality and efficiency of cooperation.

○ Exchanges and Cooperation under the G20 Framework

In 2018, the STA continued to be deeply involved in the *BEPS Action Plan* entrusted to OECD by the G20. It actively participated in many BEPS-related meetings and played an active role in the reshaping of international tax rules. It will be reviewed concerning the four minimum standards of the BEPS Action plans

and expected to finish the internal procedures for the implementation of the *BEPS Multilateral Convention* in China at the beginning of 2019.

In February 2018, Mr. Wang Jun, the STA Commissioner, attended the First Global Conference of the Platform for Collaboration on Tax held in New York, the US and delivered a keynote speech. In his speech, Mr. Wang Jun shared six major practices of how tax supports sustainable development in China and proposed three initiatives. Arousing an echo with all participants, they believed that China offered beneficial experience in making use of tax in supporting sustainable development, which can serve as a reference for tax authorities across the globe.

○ Participation in FTA Activities

Mr. Wang Jun led the STA delegation to the FTA Advisory Committee Meeting held by OECD in Paris, France from November 28th to 29th, 2018, and delivered a keynote speech. In his speech, he introduced the ideas and approaches of China in promoting tax reform, constantly improving governance ability, actively deepening international tax cooperation and expanding mutual benefits and win-win outcomes over the past four decades of reform and opening up, and shared China's outcomes and experience in pressing ahead with reforms in the tax administration system and the taxation system in recent years, which were widely acclaimed by delegates of the meeting. Under the co-leadership of China and Canada, a framework of decision-making, monitoring and evaluation of the capacity building project took initial shape and the Knowledge Sharing Platform (KSP) was popularized to a greater extent. China was also actively involved in the MAP forum, advanced analytics, human resource and organizational management, Joint International Task force on Shared Intelligence and Collaboration (JITSIC), Tax Administration Series (TAS), sharing economy and risk administration. Through clarifying the individual responsibility, the STA kept good communication and coordination with all partners and proactively

promoted related work through face-to-face meeting, network video conference, teleconference, questionnaire, and report writing.

○ Participation in OECD Activities

The STA started to take part in activities of the Committee on Fiscal Affairs (CFA) from 1996. Such involvement has become more intense since China became a formal CFA observer in 2004. In 2015, the STA and the OECD signed a *Memorandum for Cooperation 2016-2018*, which covers various forms of cooperation in nineteen areas including tax policy, tax administration and international taxation. Key results of STA's cooperation with OECD are as follows:

- ◆ The STA co-organized a symposium of country-by-country reporting with the OECD. 49 participants, including OECD experts and representatives from 21 tax authorities including China, exchanged views on the reporting, exchange and use of CBC reporting. The symposium is a significant action to implement the 13th action plan of the BEPS project, and an important measure to strengthen international cooperation and improve information transparency.
- ◆ Since 2005, the STA has been attending meetings of CFA, its subordinates as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes and served as the vice-chair of Working Party 10 (Exchange of Information and Tax Compliance). In 2018, the STA actively participated in peer review meetings of the Global Forum to deliberate on each jurisdiction's domestic laws on CRS. At the same time, China fulfilled its commitment to the G20, exchanged non-resident financial account information in tax matters for the first time in September 2018 and sent a total number of 730000 pieces of information to 49 jurisdictions. The CRS information sent by China is of high quality, well-received and praised by other jurisdictions.

- ◆ The STA sent over 100 tax officials to attend Global Relation Programme events held in Multilateral Tax Centers of OECD in Seoul, Ankara, Budapest, Vienna and Mexico. In 2018, 29 officials attended seventeen events in these Multilateral Tax Centers (MTCs).
- ◆ The STA made best use of OECD-STA Multilateral Tax Center to provide training courses for domestic tax officials and those from developing countries in Asia, Africa, Latin America, etc. In 2018, the STA organized seven events in this MTC. 442 domestic tax officials participated in these events and tax officials from developing countries were also invited.

○ Cooperation with IMF

In 2016, the STA signed a *Three-year Technical Cooperation Agreement (2016-2018)* with the IMF. Under the agreement, the STA received five delegations of IMF expert in 2018 which respectively focused on the promotion of tax analysis and tax administrative investigation, the definition of the institutional mechanism and responsibility of criminal investigations, collection and administration of individual income tax, international value-added tax reference and implementation and tax risk management of large businesses. In 2018, IMF experts, composed of authoritative figures in the international financial and taxation fields, came to China to conduct third-party evaluations on the implementation of the *Plan of Deepening the Reform of Tax Collection and Administration System of State and Local Tax Administration* (hereinafter referred to as "the Plan"). Through questionnaire survey, discussions and field research, the IMF successfully completed the assessment. In its evaluation report, the IMF affirmed major achievements in the implementation of "the Plan" and China's modernized tax collection and administration, and highly appreciated the administrative ideas and reform measures in "the Plan".

○ Participation in the BRICS Activities

Upon the invitation of the tax authority of South Africa, a delegation headed by STA Commissioner attended the BRICS Heads of Tax Authorities Meeting in Johannesburg in June 2018. The STA Commissioner delivered a keynote speech to introduce important measures and achievements in improving tax collection and administration by digital technology, upgrading the business environment and strengthening capacity building, and received positive comments from all parties. The meeting made the founding of the capacity building mechanism of the BRICS tax authorities as the most essential issue and outcome, and reviewed and adopted the document of the capacity building cooperation mechanism. The communiqué issued after the meeting shared the commitment of the BRICS heads of tax authorities in deepening international cooperation in the digital field, strengthening knowledge and experience sharing and establishing the BRICS capacity building mechanism.

○ 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 STA, together with the Philippines and Indonesia, promoted reform in operational framework, future development and capacity building and made significant progress. During the 48th Annual Meeting of the SGATAR in 2018, the provision of granting permanent observer status, conceptual documents for the future development of SGATAR and suggestions on continuing to strengthen cooperation with other international organizations on promoting capacity building of member countries were appreciated and endorsed by the Heads of Delegations (HODs).

○ Helping Developing Countries with Capacity Building

The STA helps developing countries in Asia, Africa and Latin America with their capacity building in a variety of ways, including legislative consultation, featured discussion, expert support, experience sharing and technical assistance. In 2018, the STA carried out aid projects on taxation with Central Asia Regional Economic Cooperation, and held seminars for developing countries taking advantage of the cooperation projects of the People's Bank of China and the IMF, inviting countries along "the Belt and Road" to promote international cooperation, with 44 tax officials from twenty developing countries participated.

Bilateral Exchanges and Cooperation

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

The STA selected and sent tax officials to the USA, Germany, Canada, Japan, the Netherlands, Brazil, Austria to receive training on tax policy, internal control of tax administrations, tax treaty and the taxation of non-residents, VAT reform, taxpayer service and administration as well as tax information construction and application.

In 2018, the STA seconded 28 tax officials to the USA, Japan, Germany, India and other countries, covering continents including Europe, America, Asia, Africa and Oceania. Another four tax officials under the Leading Talent Program were sent to international organizations and world-famous universities to work as interns or study as visiting scholars. In the first half of 2019, the STA will continue to send tax officials to Chinese embassies, consulates and representative offices in countries including Nepal, Papua New Guinea and Madagascar. Those seconded tax officials play an active role in facilitating domestic tax reform, international tax cooperation, tax policy consultation and international communication, laying solid groundwork for a new system of service and administration and a new pattern of opening up for taxation.

In 2018, the STA also received other tax authorities and held bilateral communications with them (see Table 7).

Table 7 Jurisdictions that Visited STA in 2018

Jurisdictions	No. of Visitors
South Korea, Japan, Kazakhstan, India, Singapore, New Zealand, France, Australia, USA, the Netherlands, Ukraine, Norway, Czech, UK, Greece, Italy, Russia, Austria, Panama, Sri Lanka, Thailand, Vietnam, Laos, Myanmar, Saudi Arabia, Turkey, Uzbekistan, Sierra Leone, Uruguay, Azerbaijan, Tanzania, Zambia, Ethiopia, Afghanistan, Libya, Bangladesh, Jordan, Nepal, Malaysia, Maldives, Mongolia, Tajikistan, Mexico, Dominica, Cameroon, Egypt, Sudan, Uganda, Cambodia, Indonesia; Chinese Taipei, Chinese Hong Kong, Chinese Macao, etc.	627

Enlarging Tax Treaty Network

China has signed 107 tax treaties with other countries and two arrangements with Hong Kong Special Administrative Region (SAR) and Macao SAR by the end of 2018. A tax treaty was also signed between Mainland China and Taiwan (see Tables 8, 9 and 10).

Table 8 Tax Treaties between China and Other Countries

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

(continued)

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

- ① The Chinese government signed the *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME* with the government of the Czechoslovak Socialist Republic on June 11th, 1987. The Agreement continued to be applicable when the Czechoslovak Socialist Republic changed its name as Czech-Slovak Federal Republic, Czech and Slovak Federal Republic in 1990. Czech and Slovak Federal Republic was dissolved into the Czech Republic and the Slovak Republic on January 1st, 1993, and the above mentioned Agreement was still applicable to China and the two countries. The Chinese government signed the *AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME* with the government of Czech Republic on August 28th, 2009, which has come into force.
- 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 12th, 1988. Yugoslavia was dissolved later and the Ministry of Foreign Affairs reported that the Agreement would be a legacy for the countries after dissolution. The Chinese government signed *AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND CAPITAL* with countries after dissolution. Bosnia and Herzegovina is the only one country left without signing new treaty with China, so the above mentioned agreement is still applicable to China and Bosnia and Herzegovina.

(continued)

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

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

(continued)

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

(continued)

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

Table 9 Tax Arrangements between the Mainland and Hong Kong SAR and Macao SAR

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

Table 10 Tax Treaty between the Mainland and Taiwan

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

Expanding Exchange of Information (EOI) Network

In the 1990s, the exchange of information on request was the main form of EOI and ten countries including the US, the UK, Japan and South Korea were our partners. As China blends into the world economy in the 21st century, its rate of exchange of information for tax purposes has accelerated. China has maintained stable working relationships with over 50 tax jurisdictions in relation to EOI in 2018 and reviewed over 400 cases of EOI on request. It also continued to carry out cooperation programs of EOI with other countries through the JITSIC platform.

China signed the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* in August 2013 (see Table 11). The Convention became applicable to China on February 1st 2016 and has started to be implemented by China since January 1st, 2017. China also signed *Tax Information Exchange Agreements (TIEAs)* with ten 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 12). China's mutual administrative assistance network has expanded to cover major trade partners and low tax jurisdictions which have frequent economic ties with China.

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

In May 2017, the STA, the MOF, the People's Bank of China (PBOC), the China Banking Regulatory Commission (CBRC), the China Insurance Regulatory Commission (CIRC) and the China Securities Regulatory Commission (CSRC)

jointly rolled out the *Measures on Due Diligence of Nonresident Financial Account Information in Tax Matters*. It took effect on July 1st, 2017 and realized the implementation of CRS in China. In June 2018, domestic financial institutions successfully accomplished the report of nonresident financial account information in tax matters. In September 2018, China exchanged information with major economies and financial centers in the world, obtained offshore account information of Chinese taxpayers and laid a solid foundation for the fight against cross-border tax evasion and avoidance.

Table 11 Multilateral Tax Conventions Signed by the Chinese Government

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

Table 12 TIEAs Signed by the Chinese Government

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