

Changes in VAT Regulations (May 2010)

The State Administration of Taxation issued Circular Guoshuihan [2010] No.138 on 7th April 2010, containing revised measures helpful for manufacturers and VAT-taxable service providers.

The following points are a summary of the revised measures:

- The threshold of the general taxpayer has been lowered. The annual turnover for manufacturers and VAT-taxable service providers are limited to RMB500,000 as opposed to RMB1 million previously. For other businesses such as wholesalers and retailers, the annual turnover is over RMB800,000 compared to RMB1.8 million previously. VAT small-scale taxpayers with annual turnover below the prescribed thresholds and newly established companies with VAT taxable businesses are also allowed to apply for the VAT general taxpayer status
- The application documentation and recognition procedures have been streamlined with the intention of reducing the burden on taxpayers
- The registration process has been simplified. Under the current policy, to apply for general taxpayer status requires data review, field verification as well as other forms of approval. The new process simplified field verification procedures and gives provincial tax bureaus more authority in conducting field verification. This is not only beneficial to the taxpayers but also to the tax authorities to carry out a targeted audit fieldwork
- The relevant application and recognition timetable have been clarified. Any VAT small-scale taxpayer with annual revenue exceeding the threshold of VAT general taxpayers can apply for the VAT general taxpayer status within 40 working days after the tax filing due date. The tax authorities should complete the recognition of VAT general taxpayer status within 20 working days upon accepting the application

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