

EVR in China (June 2010)

In order to encourage commercial enterprise registered in China to follow international practices, the Chinese government implemented the policy on Exporting VAT Refund (EVR) from 1985. The policy has since been modified in 1994 and again in 2009, following introduction of new VAT laws.

According to latest regulations on VAT and custom rules, EVR is the government refund for the VAT paid during the purchasing of corresponding goods which are truly exported by Chinese commercial enterprise. The key conditions for companies which are entitled to EVR are as follow:

- Must have GTP (General Tax Payer) status
- Must be able to provide corresponding purchasing VAT invoice for exported goods
- Must have already received the corresponding trading fund on exporting upon applying for EVR

Considering above mentioned conditions, relevant regulations and our practical experiences regarding EVR operations, we would like to highlight several important matters for newly established commercial enterprises:

- Only the exports which are processed AFTER the company got approval for GTP application are eligible for EVR
- Exports processed before the company obtained GTP status will be taxed at 3% on exporting revenue
- Corresponding VAT invoice for goods purchasing must be issued AFTER company obtained above mentioned GTP status
- Only the company with 'export' in its title is eligible for EVR. If it exports through a trading company, the trading company will be eligible for EVR instead

EVR is important for commercial enterprises who deal with exporting since it affects profitability and cash flow financing of such companies. Business owners should be very careful on the conditions and details on specific processing for EVR application from incorporation to daily operations to ensure that all their exports are able to get EVR smoothly.

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