

**Announcement No. 39 of 2019 of the Ministry
of Finance, State Administration of Taxation
and General Administration of Customs
Announcement of the Ministry of Finance,
State Administration of Taxation and General
Administration of Customs on Relevant Policies
for Deepening the Value-Added Tax Reform**

In order to implement the decisions and arrangements of the Party Central Committee and the State Council and promote substantial tax reductions in value-added tax, matters related to the value-added tax reform in 2019 are hereby announced as follows:

1. When a general VAT taxpayer (hereinafter referred to as the taxpayer) engages in VAT taxable sales or imports goods, if the original 16% tax rate is applicable, the tax rate will be adjusted to 13%; if the original 10% tax rate is applicable, the tax rate will be adjusted to 9%.
2. For taxpayers purchasing agricultural products, if the deduction rate of 10% was originally applicable, the deduction rate will be adjusted to 9%. When taxpayers purchase agricultural products used in the production or

commissioned processing of goods subject to a 13% tax rate, the input tax is calculated at a deduction rate of 10%.

3. For exported goods and services that were originally subject to a tax rate of 16% and the export tax refund rate was 16%, the export tax refund rate was adjusted to 13%; for exported goods and cross-border taxable activities that were originally subject to a tax rate of 10% and an export tax refund rate of 10%, the export tax refund rate was adjusted to 13%. The tax refund rate is adjusted to 9%.

Before June 30, 2019 (including before April 1, 2019) , if a taxpayer exports the goods and services involved in the preceding paragraph, or occurs the cross-border taxable activities involved in the preceding paragraph, and the value-added tax exemption and refund method is applicable, the tax exemption and refund method shall be applicable when purchasing. If the value-added tax is levied at the pre-adjusted tax rate, the export refund rate before the adjustment will be applied. If the value-added tax has been levied at the adjusted tax rate at the time of purchase, the adjusted export refund rate will be applied. If the value-added tax exemption, offset and refund method is applicable, the pre-adjusted export refund rate will be applied. When calculating tax exemption, credit and refund, if the applicable tax rate is lower than the export tax refund rate, the difference between the applicable tax rate

and the export tax refund rate shall be deemed to be zero and participate in the calculation of tax exemption, credit and refund.

The implementation time of the export tax rebate rate and the time when goods and services are exported and cross-border taxable activities occur shall be implemented in accordance with the following regulations: Goods and services declared for export (excluding bonded areas and exports through bonded areas) shall be based on the export date indicated on the customs export declaration form. For goods and services exported without customs declaration, and cross-border taxable activities, the issuance time of export invoices or ordinary invoices shall prevail; for goods exported from bonded areas and via bonded areas, the registration list for outbound goods issued by the customs when the goods leave the country shall prevail. The export date specified shall prevail.

4. For overseas tourists purchasing departure tax refund items that are subject to the 13% tax rate, **the tax refund rate is 11%** ; for overseas passengers purchasing departure tax refund items that are subject to the 9% tax rate, **the refund rate is 8%** .

Before June 30, 2019 , if VAT is levied at the pre-adjusted tax rate, the pre-adjusted refund rate will be applied; if VAT is levied at the adjusted tax rate, the adjusted refund rate will be applied.

The implementation time of the refund rate shall be based on the issuance date of the ordinary VAT invoice for the refunded items.

5. **Starting from April 1, 2019** , the " Regulations on Matters Related to the Pilot Program of Replacing Business Tax with Value-Added Tax " (Issued by Finance and Taxation [2016] No. 36), Article 1, Item (4), Point 1, Article 2, Item (1)), point 1 of item 1 shall cease to be implemented, and the input tax on taxpayers' acquisition of real estate or real estate projects under construction will no longer be deducted in two years. The input tax to be deducted that has not been fully deducted in accordance with the above regulations can be deducted from the output tax starting from the tax period in April 2019.

6. When a taxpayer purchases **domestic passenger transportation services** , the input tax is allowed to be deducted from the output tax.

(1) If the taxpayer has not obtained a special value-added tax invoice, the input tax amount shall be temporarily determined in accordance with the following provisions:

1. If a general electronic VAT invoice is obtained, it shall be the tax amount indicated on the invoice;

2. If you obtain an air transport electronic ticket itinerary indicating the passenger's identity information, the input tax will be calculated according to the following formula:

Input tax on air passenger transport = (fare + fuel surcharge) ÷ (1 + 9%) × 9%

3. If you obtain a railway ticket with passenger identity information, the input tax is calculated according to the following formula:

Input tax on railway passenger transportation = face amount ÷ (1+9%) × 9%

4. For those who obtain road, waterway and other other passenger tickets indicating the passenger' s identity information, the input tax is calculated according to the following formula:

Input tax on other passenger transportation such as roads and waterways =
face value ÷ (1+3%) × 3%

(2) " Implementation Measures for the Pilot Program of Replacing Business Tax with Value-Added Tax " (Issued by Cai Shui [2016] No. 36), Article 27 (6) and " Provisions on Matters Related to the Pilot Program of Replacing Business Tax with Value-Added Tax " (Caishui [2016] Issued on the 36th) in point 5 of Article 2, Item (1), "Purchased passenger transportation services, loan services, catering services, residents' daily services and entertainment services" is changed to "Purchased loan services, catering services, residents' Daily and recreational services" .

7. From April 1, 2019 to December 31, 2021 , taxpayers in the production and daily service industries are allowed to deduct an additional 10% of the

deductible input tax for the current period to deduct the tax payable (hereinafter referred to as the super tax deduction). policy).

(1) For the purpose of this announcement, taxpayers in the production and daily service industries refer to those whose sales from providing postal services, telecommunications services, modern services, and daily life services (hereinafter referred to as the four services) account for more than 50% of the total sales of taxpayers. The specific scope of the four services is implemented in accordance with the " Notes on Sales Services, Intangible Assets, and Real Estate " (Finance and Taxation [2016] No. 36).

For taxpayers established before March 31, 2019, if their sales from April 2018 to March 2019 (if the operating period is less than 12 months, the sales during the actual operating period) meet the above-mentioned conditions, they will be taxed from 2019. The super deduction policy will apply from April 1, 2020.

For taxpayers established after April 1, 2019, if the sales in the three months since the date of establishment meet the above-mentioned conditions, the super deduction policy will apply from the date of registration as a general taxpayer.

After the taxpayer determines that the super deduction policy is applicable, it will not be adjusted in the current year. Whether it is applicable in subsequent years will be determined based on the sales volume of the previous year.

The amount of super deductions that taxpayers can accrue but have not accrued can be accrued together in the current period when the applicable super deduction policy is determined.

(2) Taxpayers should accrue the current additional deduction amount based on 10% of the deductible input tax for the current period. For input tax that cannot be deducted from output tax according to current regulations, no additional credit shall be accrued; if the input tax for which additional credit has been provided is transferred out as input tax according to regulations, it shall be transferred out when the input tax is transferred. out of the current period, the accrued deduction amount will be reduced accordingly. Calculated as follows:

The amount of additional deductions for the current period = the deductible input tax for the current period × 10%

The amount of deductible super deductions for the current period = the balance of the super deductions at the end of the previous period + the amount of super deductions accrued for the current period - the amount of super deductions for the current period

(3) Taxpayers should calculate the tax payable under the general tax calculation method (hereinafter referred to as the tax payable before deductions) in accordance with the current regulations, and then apply additional deductions according to the following situations:

1. If the tax payable before deduction is equal to zero, all the additional deductions available for the current period will be carried forward to the next period;
2. If the tax payable before deductions is greater than zero and is greater than the deductible additional deductions for the current period, the full amount of the deductible additional deductions for the current period shall be deducted from the tax payable before deductions;
3. If the tax payable before deduction is greater than zero and less than or equal to the deductible additional deduction for the current period, the tax payable shall be reduced to zero by the deductible additional deduction for the current period. The additional deductions for the current period that have not been fully deducted can be carried forward to the next period for further deductions.

(4) The super deduction policy is not applicable to taxpayers exporting goods and services and engaging in cross-border taxable activities, and the corresponding input tax shall not be provided with super deductions.

The input tax for taxpayers who concurrently export goods and services, engage in cross-border taxable activities, and cannot be divided into additional credits shall be calculated according to the following formula:

The amount of input tax for which additional deductions are not allowed = the total input tax that cannot be divided in the current period × the sales of exported goods and services and cross-border taxable activities in the current period ÷ the total sales in the current period

(5) Taxpayers should separately account for changes in the accrual, deduction, adjustment and balance of the additional deduction. Anyone who defrauds the applicable super deduction policy or falsely increases the super deduction amount shall be dealt with in accordance with the " Tax Collection Management Law of the People's Republic of China " and other relevant regulations.

(6) After the implementation of the super deduction policy expires, taxpayers will no longer accrue super deductions, and the remaining super deductions will cease to be deducted.

8. Starting from April 1, 2019, the VAT refund system for the end-of-period retained tax credit will be piloted.

(1) Taxpayers who meet the following conditions at the same time may apply to the competent tax authorities for a refund of the incremental excess tax credit:

1. Starting from the tax period in April 2019, the incremental tax credit for six consecutive months (two consecutive quarters if tax is paid on a quarterly basis) is greater than zero, and the incremental tax credit in the sixth month is not less than 500,000 yuan;

2. The tax credit rating is A or B;
3. There has been no fraudulent use of retained tax refunds, export tax refunds or false issuance of special value-added tax invoices in the 36 months before applying for tax refund;
4. Has not been punished twice or more by the tax authorities for tax evasion in the 36 months before applying for tax refund;
5. Those who have not enjoyed the policy of collection and withdrawal, collection first and return (refund) since April 1, 2019.

(2) The term “incremental tax credit” as mentioned in this announcement refers to the newly increased amount of tax credit at the end of the period compared with the end of March 2019.

(3) The incremental excess tax credit allowed to be refunded by the taxpayer in the current period shall be calculated according to the following formula:

The amount of incremental tax credit allowed to be refunded = the amount of incremental tax credit × input composition ratio × 60%

The proportion of input is the special VAT invoices (including unified invoices for tax-controlled motor vehicle sales) that have been deducted from April 2019 to the period before the tax refund is applied for, the customs import VAT special payment form, and the tax paid. The value-added tax amount indicated

on the tax payment voucher accounts for the proportion of all input tax deducted during the same period.

(4) Taxpayers should apply to the competent tax authorities for a refund of the excess tax credit within the value-added tax declaration period.

(5) If a taxpayer exports goods and services or engages in cross-border taxable activities, and the tax exemption, credit and refund method is applicable, after handling the tax exemption, credit and refund, if it still meets the conditions specified in this announcement, it can apply for a refund of the retained tax amount; the tax exemption and refund method is applicable , the relevant input tax cannot be used to refund the retained tax credit.

(6) After the taxpayer obtains the refund of the excess tax credit, it should reduce the current tax credit amount accordingly. If the tax refund conditions are met again in accordance with the provisions of this article, you may continue to apply to the competent tax authorities for a refund of the excess tax credit, but the consecutive periods specified in point 1 of item (1) of this article shall not be counted twice.

(7) If the tax refund is defrauded by falsely increasing income, making false declarations or other deceptive means, the tax authorities will recover the fraudulently obtained tax refund and handle it in accordance with the "Tax Collection Administration Law of the People's Republic of China" and other relevant regulations .

(8) The central and local sharing mechanism for the refunded incremental excess tax credit will be announced separately.

9. This announcement will be effective **from April 1, 2019** .

Special announcement.

Ministry of Finance

State Administration of Taxation

General Administration of Customs

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