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## Introduction to China's Stamp Duty

China's stamp duty is levied on the legal documents executed or received in the economic activities like most countries in the world. The current regulations in respect of stamp duty are Provisional Rules of the People's Republic of China on Stamp Duty (the "Provisional Rules") and Provisional Rules on Stamp Duty Implementing Rules (the "Implementing Rules").

### Taxpayers of Stamp Duty

The taxpayers of stamp duty include any enterprise, unit, institution, individual household business operators and other individual who executes or receives specified economic documents within the territory of China.

### Taxable Documents

The taxable documents mainly include:

1. Documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature
2. Documents of transfer of property title
3. Business books of account
4. Documentation of rights or licenses
5. Other documents determined by the Ministry of Finance to be taxable

Note: Electronic contracts concluded in the economic activities are also subject to stamp duty.

### Calculations of Stamp Duty

Altogether there are thirteen taxable items which are applicable to different rates. Stamp duty is calculated based on the nature of the taxable documents, adopting either the statutory applicable tax rate or quota amount.

The formula for calculating the amount of stamp duty payable is as below:

Tax Payable = Amount of Payment (or fees or revenue) indicated in taxable documents X Applicable rate

or

Tax Payable = Number of pieces of taxable documents X Amount of tax per unit

Where the payment indicated in the taxable documents is presented in foreign currency, it should be converted into Renminbi according to the exchange rate published by the State Administration for Foreign Exchange on the signing date of the documents, and stamp duty payable is computed based on that Renminbi amount.

Taxable items and rates are available in below “Tariff Table”

No.	Tax Item	Scope	Tax Rate	Tax Payer	Remarks
1	Purchases and sales contract	Including contract for supply, advanced sales, institutional purchases, combined purchase and cooperative, manufacturing, assembly compensation trade, barter, and so on.	Stamping as 0.03% of the value of the purchases	Parties to the contract	
2	Processing contracts	Including contract for processing, special orders, repair and renovation, overhaul, printing, advertising, surveying, testing and so on.	Stamping as 0.05% of the income from processing or contract.	Parties to the contract	
3	Survey and design contracts for engineering and construction projects	Including contract for survey and design	Stamping as 0.05% of receipts	Parties to the contract	
4	Construction and installation project contracts	Including contract for construction and installation undertaking.	Stamping as 0.03% of contracted amount	Parties to the contract	
5	Property leasing contracts	Including contract for leasing amounts of buildings, vessels, aircraft, motor vehicles, machinery, appliances and such equipment	Stamping as 0.1% of the lease contract, less than one yuan to be stamped as one yuan	Parties to the contract	
6	Goods transportation contracts	Including contract for civil aviation, railway transportation, maritime fees, transportation, inland waterways, overland and through transportation	Stamping as 0.05% of the transportation	Parties to the contract	Where the documents are used as contracts, shall be made to the documents as in the case of contracts
7	Warehousing and safekeeping contracts	Including contract for warehousing and safekeeping	Stamping as 0.1% of warehousing and safekeeping fees	Parties to the contract	Where warehousing or safekeeping receipts are used as contracts, stamping shall be made to the documents as in the case of contracts
8	Contracts for loan	Including contract for entered by banks and other financial organizations and borrowers except interbank loan agreements	Stamping as 0.005% of the loan amount	Parties to the contract	If documents are used as contracts, stamping shall be made to the documents as in the case of contracts
9	Property insurance contracts	Including insurance contracts for property, bonding, guarantee, surety and credit undertakings and so on	stamping as 0.003% of the amount insured	Parties to the contract	If documents are used as contracts, stamping shall be made to the documents as in the case of contracts
10	Technology contracts	Including contracts for technology development and transfer, consulting, service, and so on	Stamping as 0.03% of the indicated amount	Parties to the contract	
11	Property transfer documents	Including transfer documents for property ownership and copyrights, trademark rights, patents, the right to the use of proprietary technology and so on	Stamping as 0.05% the amount indicated	Parties executing the document(s)	
12	Business accounting documents	Account books used for production and business operations	Account books for recording funds: 0.025% of the total amount of the paid-in capital and capital reserve	Business accounting entities	
13	Certificates and licences	Including certificates of title for buildings, business licences for industry and commerce, certificates for registration of trademarks, certificates of patents, and land use certificates.	5 yuan per document	Receiver(s) of the document(s)	

## Documents Exempted from Stamp Duty

The following documents may be exempt from stamp duty:

1. Duplicates or copies of documents on which stamp duty has already been paid, excluding those used as original ones.
2. Documents executed when property is donated to the government, social welfare unit supporting the widowed, the aged, the injured and the handicapped, or schools.
3. Agricultural by-product purchase contracts concluded between state designated purchase departments and village committees or individual peasants.
4. Non-interest bearing or discounting loans contracts.
5. Preferential loans contracts concluded between foreign governments or international financial institutions and the Chinese government or state financial institutions.

## Latest Stamp Duty Related Policies

Stamp Duty Law of the People's Republic of China (the "Stamp Duty Law") was released in November 2018 requesting for the public's comments, but it hasn't officially implemented as of now. Compared with the Provisional Rules and the Implementing Rules, the Stamp Duty Law makes following adjustments:

1. Broaden the scope of taxpayer of stamp duty, "enterprises and individuals trading securities within the territory of China are also the taxpayers of stamp duty".
2. Further clarify the determination of stamp duty tax basis and computation method of taxable amount.
3. Add exempted taxable documents, "taxable documents executed or received among armies or armed police forces are exempted from stamp duty" and "taxable documents for transfer and lease of housing are exempted from stamp duty payable by individuals (excluding individual household business operators)
4. Add two new categories of stamp duty, "finance leasing contract" and "securities trading"
5. Adjust some applicable tax rates, for instance, decreasing the rate to 0.03% for "processing, construction and transportation contracts", increasing the rate to 0.1% for "property insurance contracts" and lower down the rate of business accounting books to 0.025%.

In the meantime, in order to release the tax burden of enterprises, in particular, the tax burden of small and micro enterprises, a series of preferential tax policies have been implemented, which include "From 1 January 2019 to 31 December 2021, the provincial, autonomous region, and municipal governments are entitled to determine according to the actual situation in the region and the macro-control needs to reduce up to 50% of the resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction related stamp duty), farmland occupation tax, educational surcharge and local educational surcharge levied on VAT small-scale taxpayers." *<Notice on Implementation of Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises> (Cai Shui [2019] No. 13)*

Kaizen will keep a close eye on the policies in respect of China's stamp duty and will update our website irregularly.