

**List of Tax Risks for VAT General Tax Payers in China (2)**

No.	Tax Category	Risk	Description	Industry
1	Land Value Increment Tax	Tax rate & amount	Not declare and prepay Land Value Increment Tax according to the type of real estate and tax rate in presale.	Real estate industry
2		Taxation object	Not declare and pay tax for employee welfare, reward, investment, distribution to shareholders/investors and in exchange for non-monetary assets with own products of real estate enterprises.	
3		Tax basis	Tax basis of VAT is not in accordance with that of Land Value Increment Tax.	
4		Taxation object	Fail to proceed final settlement of Land Value Increment Tax when meet liquidation terms.	
5		Taxation object	Real estate enterprises not declare and pay Land Value Increment Tax in investment and joint venture with commercial houses built by themselves.	
6		Taxation object	Not pay Land Value Increment Tax in transfer of state-owned land use right, above-ground building and their attachments without obtaining land use certificate.	
7		Tax basis	The transaction price is obviously low without justified reasons in transfer of land ownership, leading to declare and pay less Land Value Increment Tax.	
8	Deed Tax	Taxation object	Land use right which obtained by allocation is re-transferred whereas not pay the corresponding deed tax for the supplementary land grant price and other grant expenses.	All industries

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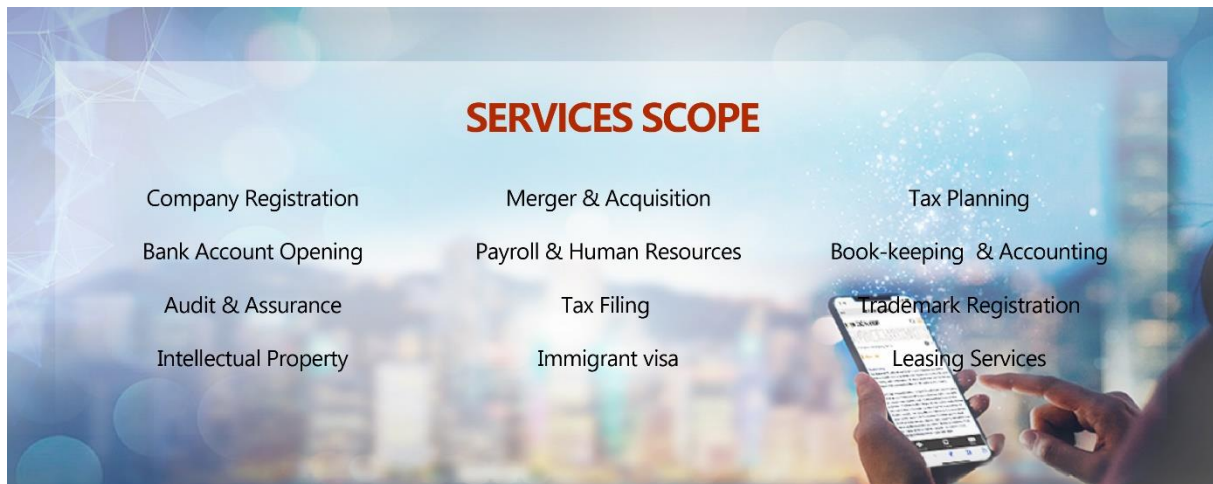
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9	Deed Tax	Taxation object	Not pay Deed Tax for supplementary price for the change of state-owned allocated land to transferable land.	Exporting enterprises
10		Tax basis	The transaction price is obviously low without justified reasons in transfer of property and land ownership, leading to declare and pay less Deed Tax.	
11	Stamp Duty	Taxation object	Not pay stamp duty for sales contract or vouchers of contract nature (including supply, purchase, cooperation, compensation, barter, etc) based on the sales amount. Especially the barter amount not included in the tax basis of barter contract (unless otherwise stipulated).	All industries
12		Tax rate & amount	Not declare stamp duty for contract of property & land use right or contract of property & land transfer according to taxable item "property transfer documents.	
13		Taxation object	Not declare and pay Stamp Duty for investor's equity change.	
14		Tax rate & tax item	Not pay Stamp Duty based on gross contract amount if processing contract stating that raw materials provided by the entrusted party but the processing fee and amount of raw material combined together; Not pay Stamp Duty separately according to "processing contract" and "sales contract" if these transaction amounts showed separately in the contract.	
15		Tax basis	Not pay Stamp Duty for duty-paid contracts that revise and increase sales revenue afterwards; Not pay Stamp Duty for signed but unexecuted contract.	
16		Tax rate & tax item	Incorrect application of tax items. If the same voucher with 2 or more different items that shall subject to different tax rates, the amount of tax payable shall be calculated separately; If the transaction amount not showed separately, the tax payable shall be calculated with high tax rate.	

17	Stamp Duty	Tax basis	Not pay Stamp Duty for frame contract without transaction amount, and not pay Stamp Duty when the final settlement of the contract is made afterwards.	All industries
18	Urban Land Use Tax	Tax basis	The taxable area of declared urban land is less than the registered area, or the land area changed but not reported timely, resulting in the wrong declaration of Urban Land Use Tax.	
19		Taxation object	Enterprise has taxable urban land and duty-free land at the same time but the boundary is mixed up, resulting in the wrong declaration of Urban Land Use Tax.	
20		Approval of tax reduction or exemption	Enterprises who apply for the preferential tax deduction or exemption for Urban Land Use Tax fail to get approval as required but only calculated and pay less tax themselves.	
21		Taxation location	Not report tax source information of cross-district land, resulting in the omission of Urban Land Use Tax.	
22	Vehicle and Vessel Tax	Taxation object	Not declare and pay Vehicle and Vessel Tax for trailers and other vehicles that no need to pay Mandatory Liability Insurance.	Transportation industry
23		Taxation object	The holding party not declare and pay Vehicle and Vessel Tax during the period that the vehicle and vessel are used for debt repayment.	All industries
24	Resource Tax	Taxation object	Not declare Resource tax for mining or production of energy minerals, metal minerals, non-metallic minerals and salt.	Industries develop taxable products of Resource Tax
25	Vehicle Purchase Tax	Taxation object	Not declare Vehicle Purchase Tax within 60 days after the tax exemption conditions disappear due to vehicle transfer, change of use or other reasons.	All industries
26	Disabled Employment Security Fund	Taxation object	Not declare and pay Disabled Employment Security Fund. From 1 January 2020, employer shall pay 50% of payable fees within 3 years if the disabled employment rate is more than 1%(inclusive) but less than 1.5%.; Employer shall pay 90% of payable fees within 3 years if the disabled employment rate is less than 1%.	
27		Taxation object	The reported IIT information of employee number and gross salary is not in accordance with that of Disabled Employment Security Fund.	

**KAIZEN Group** is equipped with experienced and highly qualified professional consultants and is therefore well positioned to provide professional advice and services in respect of the formation and registration of company, application for various business licences and permits, company compliance, tax planning, audit and accounting in China. Please call and talk to our professional consultants for details.



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