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China Taxation

List of Tax Risks for VAT General Tax Payers in China (Part I)

VAT general taxpayers usually have certain tax-related risks in daily operation, they can refer to the following remind list to predict the risks in advance and proceed risk control.

No.	Tax Category	Risk	Description	Industry
1	Value Added Tax	Tax rate /amount	Enterprise concurrently engages in various business but not differentiate the mixed sales.	All industries
2		Tax rate /amount	Business scope involves various tax rates but file tax return with low tax rate for transactions of high tax rate	
3		Taxation method	Simple & general taxation method coexist but not calculate taxes separately.	
4		Tax basis	There are huge difference between the declared VAT and CIT sales revenue.	
5		Tax basis	No tax return filed for donation, sponsorship, employee welfare, reward, dividend, investment, auction, exchange for non-monetary assets with own products of enterprises.	
6		Invoice issue	Issue invoices without actual transaction, or issue invoices not in accordance with the actual business.	
7		Tax basis	The amount of input VAT from import & farm products in current period are not in accordance with the actual situation.	
8	Export tax rebate	Change of filing	The filing information of export tax rebate changed but not reported.	Exporting enterprises
9		Export proceeds	After applying for export tax rebate, no exchange collected before the deadline of declaration period in next year.	
10		Tax basis	The basis for tax refund (exemption) declared by foreign trade export enterprises is not consistent with the amount on special VAT invoice for purchase of export goods, the dutiable value in VAT payment letter of the customs or the amount indicated in the tax payment voucher.	

11	Export tax rebate	Tax basis	The basis of tax rebate that declared by production export enterprise is inconsistent with FOB value on export invoice(except for re-exported goods processed with imported materials).	Exporting enterprises
12	Corporate Income Tax	Tax basis	The expenses of employee welfare, employee education funds and labor union funds do not conform to payee, prescribed scope and recognition principles that stipulated in tax law, but there is no increase adjustment in taxable income; There is no tax adjustment for expenses accrued but not actually occurred, or no tax adjustment for the excessive part over deduction limit for employee welfare, employee education funds and labor union funds.	All industries
13		Tax basis	Make adjustment for VAT declaration in previous years but not make adjustment for CIT of corresponding period.	
14		Qualification Recognition	Enjoy underserved preferential tax policy for small and low-profit enterprises due to wrong report of total assets and number of employees.	
15		Qualification Recognition	Enjoy underserved preferential tax policy as wrongly chosed prohibited industry or high-tech enterprise.	
16		Tax basis	Basic pension insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund paid for employees not deducted before tax within the prescribed scope and standards, the taxable income not adjusted for excessive part.	
17		Tax basis	No tax return filed for donation, sponsorship, employee welfare, reward, dividend, investment, auction, exchange for non-monetary assets with own products of enterprises.	
18		Tax basis	Cost of forfeiture and sponsorship deducted before tax.	

19	Corporate Income Tax	Tax basis	Donation cost does not meet the prescribed terms for expenses of public welfare donation.	All industries
20		Tax basis	Irrelated cost for affiliated enterprises, individual expenses of the investor and employees, retirement benefits, external guarantee and all kinds of withholding payment(IIT, entrusted processing freight, etc.) deducted before tax, no tax adjustment proceeded.	
21	Individual Income Tax	Taxation object	Not withhold and pay IIT for remuneration paid to independent directors who not works for the company.	
22		Expense deduction	Enjoy undeserved special additional deductions or report false deduction information.	
23		Tax basis	Individual investor not pay IIT before proceeding investor change in Industrial and Commercial department for equity transfer of increased value.	
24		Tax basis	Not withhold and pay IIT for payment of labor remuneration, author's remuneration and royalties.	
25		Expense deduction	Not withhold and pay IIT for converted value for various subsidies, bonuses, shopping card provided to employees.	
26	Expense deduction	Not withhold and pay IIT for the part of pension insurance, medical insurance, unemployment insurance and housing provident fund that exceed the deduction limit.		
27	Property tax	Tax basis	The value of unmovable relief devices and supporting facilities based on the house not included in the original value of the house for declaration and payment of property tax.	
28		Tax liability	House rental income not declared or not declared on schedule, or declared false information.	
29		Taxation scope	Tax-free organizations use their own property for non-tax exemption purpose(rent, etc.) without filing tax returns	

30	Property tax	Taxation object	Not report the tax source information timely for termination of tax payment obligation due to material or right changes in real estate.	All industries
31		Taxation object	Enterprise has both taxable and tax-exempt properties but the boundary of tax collection and exemption is not clearly demarcated, which resulting in false declaration and tax payment.	

KAIZEN Group is equipped with experienced and highly qualified professional consultants and is therefore well positioned to provide professional advices 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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