



## China Tax Alert

*Trusture Business Service Company Limited*

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*Shanghai • China*

### **Cai Shui [2013] No.106 New Rules on VAT Reform**

Following the announcement by the State Council that railway transportation and postal services will be included in the scope of VAT reform on 4 December 2013, the China Ministry of Finance and Administration of Taxation (the “SAT”) jointly published the Cai Shui [2013] No.106 (the “Circular 106”) on 13 December 2013, which contains a set of rules on VAT reform. Some of the rules are set out as follows:

- The railway transportation and postal services will be included in the scope of VAT reform with tax rate of 11%. Pick-up and delivery services will be subject to the tax rate of 6%;
- For tangible and movable property finance leasing industry, scope of the items which can deducted from the revenue are adjusted and available for retroaction from 1 August 2013;
- Circular 106 defines postal services are basic postal services provided by the China Post Group (the “CPG”) and its group companies. That means the express delivery services provided by non-CPG companies is out of the scope of postal services;
- VAT exemption treatment to offshore outsourcing service will be applicable to the entire country from 1 January 2014, and the execution deadline will be extended from 31 December 2013 to 31 December 2018.
- Circular 106 increases new taxable items of applying a simplified tax calculation method with tax rate of 3%, which can be elected by the general tax payer; and
- Subject to the approval by provincial finance bureau and SAT, company with head office and branches located in the same province can apply to file VAT on a consolidation basis to the tax authority where the head office locates.

Circular 106 will be applied from 1 January 2014.

#### **Release Date**

23 December 2013

#### **Jurisdiction**

China

#### **Issue / Topic**

Value-added Tax

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