

New PRC Environmental Protection Tax - Don't take a wait and see approach!

China's new Environmental Protection Tax Law will become effective on 1st January 2018. It imposes a new type of environmental tax on many production enterprises as well as many other enterprises.

Here are eight reasons why enterprises need to act NOW:

1. Enterprises that directly emit air pollutants, water pollutants, solid waste or noise into the environment within the jurisdiction of the PRC will have to pay environmental protection tax ("**EPT**"). The current pollution discharge fee system will be abolished. The new tax does not only affect highly polluting enterprises from, e.g., the chemical or metal industries, mining or energy. It rather applies to everyone who directly emits taxable pollutants into the environment.
2. There will be no mercy period: the tax obligation arises on the day pollutants are emitted into the environment. For many enterprises, this means that they will have to pay EPT from 1st January 2018.
3. The new tax shall be calculated on a monthly basis so that the varieties and amounts of taxable pollutants will have to be recorded by enterprises from day one.
4. Enterprises will be obliged to file their EPT declarations with the competent local tax authority on a quarterly basis. In exceptional cases, the tax shall be declared each time an emission occurs.
5. The main difficulty will be to determine the amounts of taxable pollutants emitted by an enterprise. The law places the obligation for doing so on the tax payer. This means that tax payers must understand the requirements of the law and must put in place suitable equipment and processes of monitoring, measuring and documenting their emissions at the right outlet or location. Environmental protection authorities will be responsible to monitor the enterprises within their jurisdiction. But the tax authorities will counter-check the credibility of the data submitted to them.
6. Not all enterprises have to pay the environmental protection tax and for some of those who have to pay, there may be tax exemptions available if they meet certain requirements.
7. Enterprises and their staff who violate the new law shall be held legally responsible in accordance with the Law for the Administration of Tax Collection and other relevant laws and regulations. Failing to file EPT declarations on time may lead to administrative punishment. Tax evasion may lead to administrative penalties and even criminal charges.
8. Incentives may be available: The people's governments at all levels shall encourage taxpayers to intensify their investment in environmental protection construction, and provide fund and policy supports for their investment in automatic pollutant monitoring equipment.



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