

New VAT Rates to be implemented

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The Second Session of the 13th National People's Congress was held at the Great Hall of the People in Beijing on Tuesday, March 5th, 2019, after which Premier Li Keqiang delivered the Government Work Report to reduce the tax burdens and the social security contributions of enterprises. This report specifies the Government's intention to cut taxes and fees by nearly 2 trillion yuan (about 298.3 billion dollars) in corporate tax and fees for 2019.

From now on, the various VAT (Value-Added Tax) rates in China will decrease to 13%, 9%, and 6% instead of 16%, 10% and 6% without modification. This year's reform is more aggressive than last VAT reform implemented on May 1st, 2018. Fan Yong, a professor at the Central University of Finance and Economics, said the tax reduction goal sends a clear signal that the government is doing its best to boost the development of manufacturers. This reform will thus lead to a reduction of all taxes in the industry.

The Government Work Report states that the 16% VAT rate lowered to 13% would affect the manufacturing sector and other industries, the 10% VAT rate lowered to 9% would apply to the transportation, construction and services sectors, basic telecommunications. As for the unchanged VAT rate of 6%, it is related financial services.

However, despite the stagnation of these tax rates, supporting measures will be adopted such as increasing tax deductions for producer and consumer services to ensure that tax burdens in all industries do not go up, according to the Premier.

According to the Premier, the moves aim at strengthening the basis for sustained growth while also considering the need to ensure fiscal sustainability and are taken to support the efforts to ensure stable economic growth, employment, structural adjustments.

The Circular, regarding this VAT implementation, will be issued in the following months.



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