



WTS –Tax Information in China

2009 Value Added Tax (VAT) Reform

The executive meeting of the State Council presided by Premier Wen Jiabao signed amended Provisional Regulations of VAT this Monday afternoon. Based on this amendment, from January 1, 2009, the current value added tax policy on fixed asset purchase will be substantially changed. Most important changes are as follows:

- I. Allow enterprises are allowed to claim credit of VAT paid for newly-purchased equipments.
- II. Cancel VAT exemption for imported equipments.
- III. Cancel VAT refund for domestic equipments that are procured by foreign invested enterprises (FIE).

In general, this tax reform is good news for companies in China who have equipment purchase as they may claim the input VAT credit for purchased fixed assets. It will bring definite benefits to those who could not utilize the existing tax incentives relating to import VAT exemption for imported equipment and input VAT refund for domestically purchased equipment. For these legal entities, it is our advice to put purchase plan on hold till Jan. 1, 2009.

However, taking into consideration that

- I. the input Vat paid for fixed assets will definitely occupy cash and
- II. It is likely that only credit method (against output VAT) not refund method will be adopted for those paid input VAT for fixed assets.

It is our advice for those legal entities who have the opportunity to utilize tax refund or tax exemption based on existing legal basis to take immediate action to ensure those tax incentives.

It is expected that the amended version of this regulation will be promulgated soon. By then, more details may be interpreted. We will keep close look on the development and will issue separate tax circular with tax advice.

WTS – 中国税务简讯

2009 年全国范围内推行增值税改革

国务院总理温家宝于本周一下午主持召开国务院常务会议，通过了增值税暂行条例修订草案稿。根据该修订草案，自 2009 年 1 月 1 日，目前的固定资产增值税政策将作大幅修改。上述改革的主要内容是：

- I. 允许企业抵扣新购入设备所含的增值税；
- II. 取消进口设备免征增值税；
- III. 取消外商投资企业采购国产设备增值税退税政策。

总的说来，本次税务改革对有固定资产采购的中国企业是好消息，因为采购固定资产的进项增值税可以得到扣减。也对那些不能利用现有的税收优惠（如免税进口设备及外商投资企业采购国产设备退增值税）的企业带来切实的好处。对于这些法人企业，我们建议将设备采购计划延至 2009 年 1 月 1 日。

然而，考虑到

- I. 固定资产进项税肯定会占用现金；
- II. 对已支付的固定资产进项税，很有可能仅仅采用抵免法（从销项税中扣减）而非返还法。

我们建议有机会利用现有退、免税优惠政策的企业立即开展行动，来获得这些税收优惠。

据估计该修订草案很快就会发布。到那时更多的细节可以得到解释。我们将密切关注进一步的发展，并发送税务简讯。

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