

VAT Reform in China Extended to 11 Provinces/Cities

July 25th, 2012.

On July 25th, 2012, the State Council of China held its standing meeting and approved to extend the Value Added Tax (“VAT”) reform.

From August 1st to December 31st, 2012, the transformation from Business Tax (“BT”) to VAT in transportation industries and certain modern service industries will be launched in 8 provinces and 2 cities as follows: Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen and Shenzhen. Therefore, there will be 11 pilot areas at the end of this year, including Shanghai in which the VAT reform was first launched on January 1st, 2012.

Besides the further extension of pilot areas, the State Council also noted that VAT reform in selected industries will be promoted nationwide in the next year.

This approval is part of China's long-term effort to rebalance the economy from one that relies heavily on manufacturing and exports to one dependent on domestic consumption. The detailed implementation rules for VAT reform in the 10 new pilot areas will be issued by local tax authorities.