



the Sixth High Level Tax  
Conference for Asian Countries

# Ongoing Tax Administration Reform of China

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State Administration of Taxation of China



# Outline

- I :Preface
- II :Risk-based Tax Administration
- III :Tax Administration on LBEs
- IV :Development of Tax Administration Information Systems
- V : Increasing the Quality of Tax Service Work
- VI:Thanks



# I :Preface

Stage I : Before the mid-1980s,the model of one field manager does it all , and what is it?

Stage II :From mid-1980s to 1997,separate functional departments with respect to tax collection, administration and audit

Stage III:From 1997 to 2000,a tax collection and administration model based on self-declaration and improved taxpayer services

Stage IV:From 2000 to now, a model of risk-based tax administration



## II :Risk-based Tax Administration

I :What is the concept of “risk-based tax administration”? ([see diagram 1](#))

How is it working?

II :The application of risk-based tax administration ([see diagram 2](#))

Does it go well ?

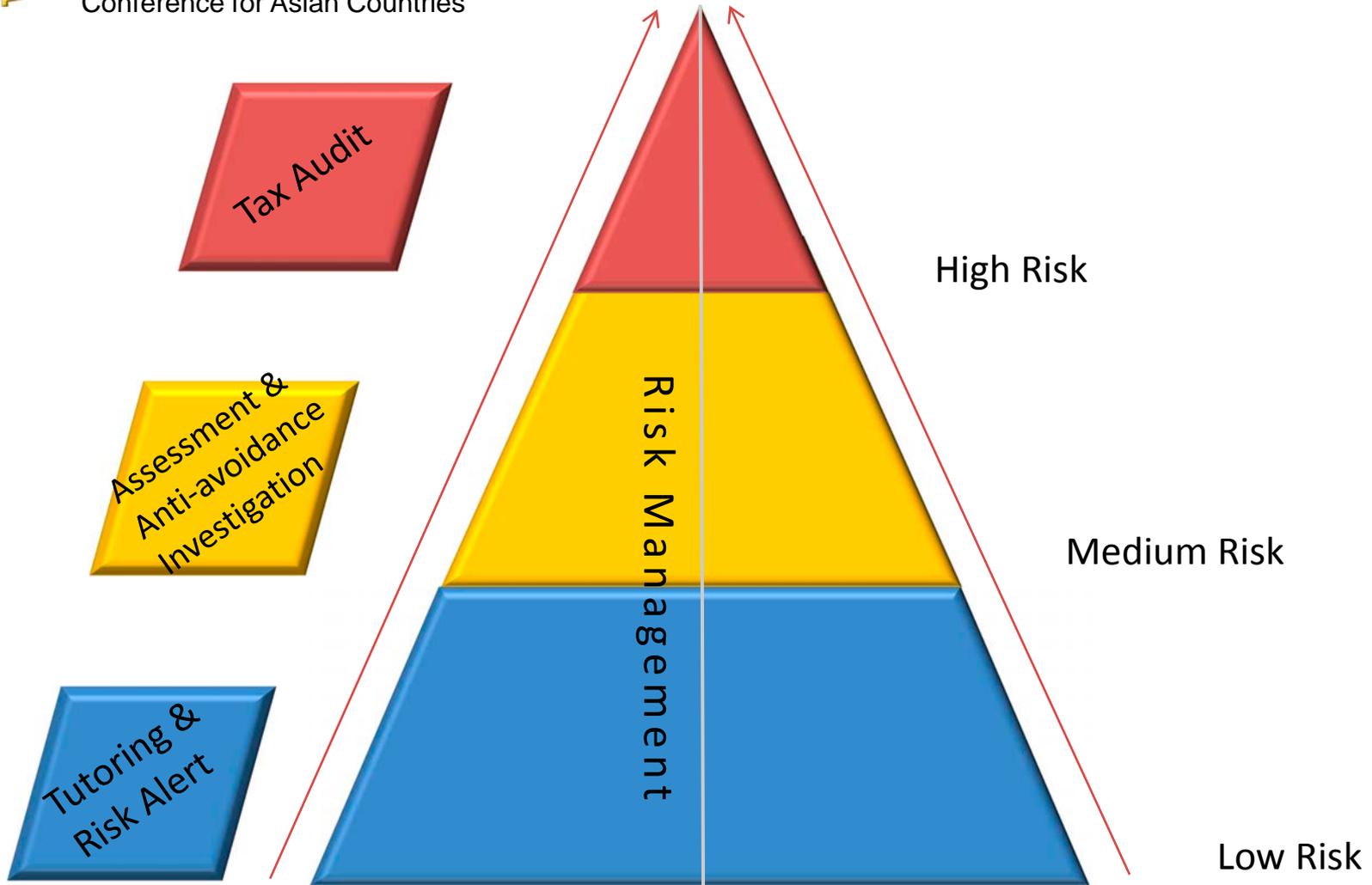


Diagram 1: A differential and progressive approach to tax risk management based on risk levels of taxpayers



Diagram 2: Risk Management Process



## III :Tax Administration on LBEs

- √ Brief introduction of LBEs management
- √ Guide LBES to establish internal tax risk controls
- √ Explore processes and models for specialized tax administration on LBEs
- √ Establish a rapid response system to handle tax-related requests for assistance
- √ Promote negotiation of tax cooperative compliance agreements
- √ Pilot run of the advance tax ruling program



# Brief introduction of LBEs management

- In August 2008, the SAT established a special tax department, called the Large Business Department (“LBTD”), to serve large business enterprises (“LBE”).
- In 2009, 45 LBES, which contributed to approximately 20% of China’s total tax revenues, were designated by the SAT to be under the direct administration of LBTD. ([see diagram 3](#)).



Unit:000' million RMB

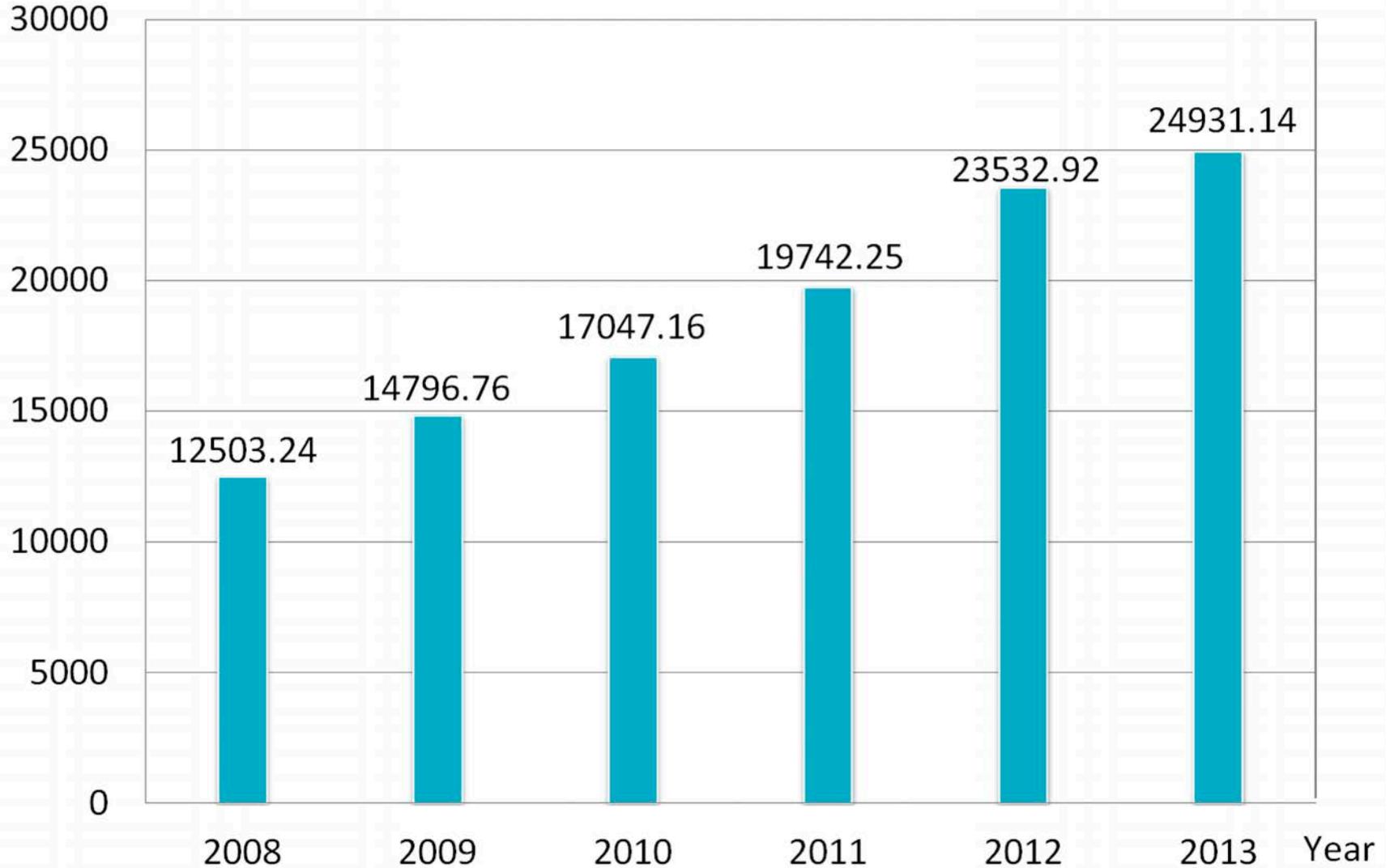


Diagram 3:Tax Revenues of the 45 SAT-designated LBEs (2008-2013)



# Guide LBEs to establish internal tax risk controls

In the late 2008, the SAT issued the Circular Guidelines on Tax Risk Management of Large Business (Trial).

During 2009 to 2012, the SAT conducted surveys, evaluation, enterprises self-assessments, and reevaluation of the internal tax risk control systems of the designated LBEs.

During 2012 to 2013, LBTD assisted four LBEs in performing comprehensive tax risk reviews and improving their internal tax risk control systems.



# Explore processes and models for specialized tax administration on LBEs

In October 2010, the SAT issued “Opinions on the Pilot Program of Specialized Tax Administration on LBEs”, and selected 12 state tax administrations and six local tax administrations at the provincial level for the Pilot Program.



# Establish a rapid response system to handle tax-related requests for assistance

The process for handling LBEs' tax –related requests for assistance has been standardized, and specific responsibilities and requirements have been established for each of the four steps in receiving requests, processing requests, responding to requests and conclusion of requests.



# Promote negotiation of tax cooperative compliance agreements

In July 2011, the SAT circulated the “Measures of Taxation Service and Administration for LBEs (trial),” which sets out the implementation rules for tax compliance agreements in China. In October 2012, the SAT signed the first three tax compliance agreements with LBEs. The tax Compliance Agreement encourages taxpayers to establish their internal tax control systems so that they can identify and disclose major tax matters with potentially significant tax impacts to tax administration in a timely manner.



# Pilot run of the advance tax ruling program

In late 2013, the SAT issued “Opinions on Further Improving Customized Service for LBEs,” which established an Advance Tax Ruling program. Under this program, LBEs may apply for tax administration’s confirmation on how to apply the tax law and regulations to a proposed economic activity or transaction.



# IV:Development of Tax Administration Information Systems

- △ Phase I of golden tax project
- △ Phase II of golden tax project
- △Phase III of golden tax project



# Phase I of golden tax project

In 1994, to enhance the management of VAT invoices, the Anti-Counterfeiting Tax Control (hereinafter referred to as ACTC) system and the VAT Cross Audit system were piloted in some regions. These systems were the prelude of the Phase I of the Golden Tax Project.



## Phase II of golden tax project

- ⊙ In 1998, the SAT began to work on Phase II the Project based on the taxpayer of Phase I. In 2001, four sub-system for VAT administration were launched. These systems have been supporting the tax administrations to manage VAT in a standard and systematical manner. Four sub-systems: ACTC(Anti-Counterfeiting Tax Control) invoicing sub-system, ACTC authentication sub-system, Cross Audit sub-system, and Investigation Assistance sub-system.
- ⊙ Does it work well?



## Phase II of golden tax project (continued)

- ⊙ Currently, the ACTC system has six sub-systems: ACTC(Anti-Counterfeiting Tax Control) invoicing sub-system, ACTC authentication sub-system, ACTC declaration sub-system, Cross Audit sub-system, Check and Review sub-system, and Investigation Assistance sub-system. [\(see diagram 4\)](#)

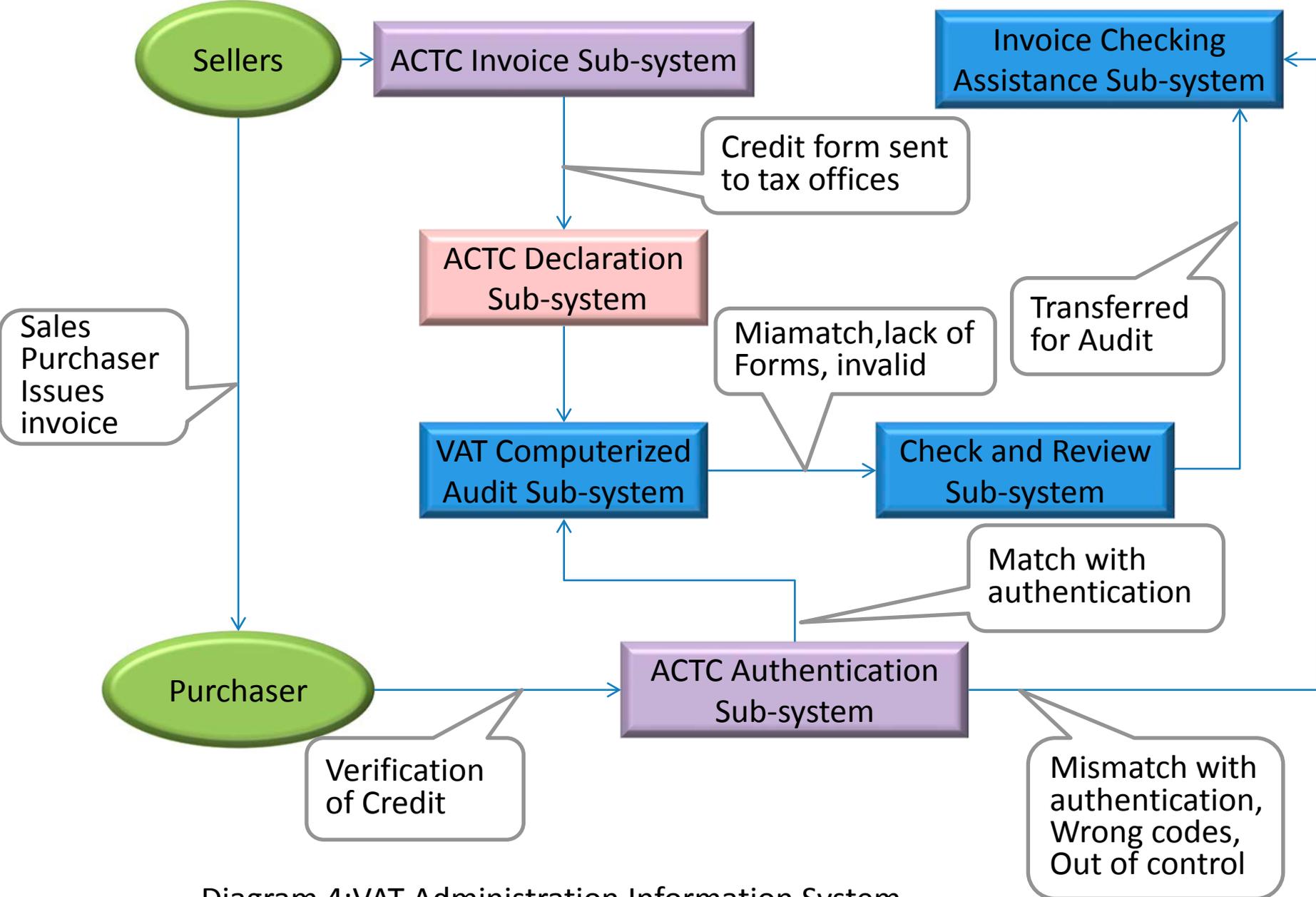


Diagram 4: VAT Administration Information System



# Phase III of golden tax project

- ☆ After completing the first two phases of the Project, SAT initiated Phase III in April 2010 to improve the integration of information technology within tax administration' operations. Phase III of the Project could have a revolutionary impact on the development of the tax collection and administration as it becomes a full-fledged platform.
- ☆ what can we do with Phase III of golden tax project?



# V :Increasing the Quality of Tax Service Work

With the strengthening of tax administration.....

In 2014,the National Tax Service Regulations for County-level Tax Authorities Version was developed and put into trial implementation to unify standards for tax services and administration through 1,120 tax processes in 212 subcategories of 9 major categories. The Opinions on Innovating and Managing Tax Services was developed to introduce 15 innovative measures for more convenient tax registration services, more comprehensive subsequent regulation and normalized risk management.



# Thank you for your attention!



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