

# China Clarifies Issues Concerning VAT during the Pilot Business Tax to VAT Process

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Taxation

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On 22 December 2015, the State Administration of Taxation (SAT) issues the Announcement on Issues Concerning VAT during the Pilot Business Tax to VAT Process.

The Announcement clarifies the following 5 aspects:

- 1) Deduction of cellular digital mobile communication towers/poles.
- 2) For the sale of fixed assets that the taxpayer has used, where the existing policy provides that the VAT shall be collected at a reduced rate of 2% according to the rate of 3% under the simple method, the taxpayer may give up the preferential policy, pay the VAT at the rate of 3% according to the simple method and may issue the special VAT invoice.
- 3) For the leasing back after financing sale business, the Announcement clarifies the handling method of deducting the principal of the price of tangible movable assets from the tenant from the sales amount.

4) Since the finance leasing factoring business in nature is the act of financing by the finance leasing company from the bank, the Announcement clarifies that under the factoring business model, the finance leasing service relationship between the finance leasing company and the tenant is not terminated, and the finance leasing company shall continue to pay VAT in accordance with existing provisions.

5) The Announcement clarifies that the cellular digital communication tower business shall be subject to the VAT under different tax categories in accordance with existing provisions depending on the contents of business.

For more information please visit the website of State Administration of Taxation.