

➤ **Q: How consumption tax is assessed and paid on self produced taxable consumer goods for the taxpayer's own use?**

A: For self-produced taxable consumer goods for the taxpayer's own use which are input for further production of taxable consumer goods, no tax shall be levied. Those for other use (including the use for production of non-taxable consumer goods, projects in construction, administrative, departments, institutions of non-production nature, provision of labor services, gifting, financial assistance, pool of funds, advertisements, samples, employees' welfare, prizes and etc.) shall be taxed on the time when the goods are transferred for other use.

In case of ad valorem basis, the tax shall usually be assessed according to the selling price of similar consumer goods produced by the taxpayer. If the selling price of similar consumer goods is not available, the tax shall be assessed according to the composite assessable value and the statutory applicable tax rate.

The formula for computing the tax payable is as follows:

Tax payable = composite assessable value * applicable tax rate

Composite assessable value = (cost + profit) / (1 - consumption tax rate)

The 'cost' refers to the production cost of the taxable consumer goods. The 'profit' refers to the profit computed in accordance with the national average cost-profit ratio (for example, 10% for white wine of grains, 8% for small cars, 5% for cosmetics) of taxable consumer goods specified by the state administration of taxation.

Example:

A cosmetics factory distributed 1000 bottles of hair-care liquid produced by itself as advertisement in the current month. The sales price of this kind of hair-care products in the current month is 50 yuan per bottle (no VAT). The applicable consumption tax rate is 8%. The amount of the tax payable for the 1000 bottles may be computed as:

Tax payable = 1000 bottles * 50 yuan/bottle * 8% = 4000 yuan

In case of compound computation method, the tax should be also based on the quantity of the taxable consumer goods transferred for use (like cigarettes, liquor) and by applying the statutory tax rate or tax per unit in addition to the above methods.

In case of compound computation method, the tax should be also based on the quantity of the taxable consumer goods recovered by the principals and by applying the statutory tax amount per unit.

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