

➤ **Q: How Chinese tax laws are formulated?**

A: At present, the national organizations authorized for the formulation of tax laws or tax policies are the national People's Congress and its standing committee, the state council, ministry of finance, state administration of taxation, state general administration of customs, and the tariff and classification committee of the state council.

- a. The fundamental tax system is based on tax laws. Tax laws are formulated by the national People's Congress, e.g., the "individual income tax law of the People's Republic of China", or by the standing committee of the national People's Congress, e.g. the "law of the People's Republic of China concerning the administration of tax collection"
- b. The administrative regulations of taxation are formulated by the state council in accordance with tax laws, e.g. the "detailed regulations for the implementation of the law of the People's Republic of China concerning the administration of tax collection", or formulated by the state council under the authorization of the national People's Congress and its standing committee, e.g. the "provisional regulations of the People's Republic of China on value added tax"
- c. The related department rules for taxation shall be formulated by the ministry of finance, the state administration of taxation, state general administration of customs, and the tariff and classification committee of the state council in accordance with the relevant laws and regulations, e.g. the "detailed rules for the implementation of the provisional regulations of the People's Republic of China on business tax" and "the rules for tax administrative review". Furthermore, some rules are promulgate only after approved by the state council, e.g. "measures of invoice administration of the People's Republic of China"

The formulation of tax laws shall go through four procedures such as legislative proposals, reviewing, voting and promulgation. The formation of tax administrative rules and regulations shall go through four procedures of programming, drafting, examining and promulgation. All above-mentioned procedures shall go in line with relevant laws, regulations and rules.

In addition, according to the national laws of China, the People's Congress and its standing committee of provinces, autonomous regions, municipalities directly under the state council and some large cities may, by taking into account the practical local conditions, formulate some local tax regulations and rules as long as they are not contradictory to the national tax laws and tax regulations; the people's governments of provinces, autonomous regions, municipalities directly under the state council and some large cities may formulate some local tax regulations and rules. The independent tax system is implemented in Hong Kong and Macao special administrative regions, in which the central government will not levy any tax.

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