

➤ **Q: How to determine the sales value for the current period?**

A: The sales value shall include the total price charges and non-price charges (including commissions, subsidy, funds, pool resources, profit repayment, prizes, indemnity, interest on delayed payment, package charges, rentals for package materials, storage charges, good quality charges, transportation and loading and unloading charges, payment received on behalf, and payment made on behalf, except otherwise regulated by the State.) received from the purchases by the taxpayers by selling goods or taxable services. The taxpayer shall compute the output tax for the period on the basis of the sales value and collect the tax payable from the purchasers in addition to the payment on goods and services.

If the sales prices of the goods and services are tax inclusive prices, the taxpayers have to work out the tax exclusive sales value by using the following formula:

Tax exclusive sales value = Tax inclusive sales value / (1 + Applicable tax rate)

Example:

A bookstore has a sales revenue of 1.13 million yuan (vat included) for the month. The applicable rate is 13%. The tax exclusive sales value and output tax are computed as follows:

Tax exclusive sales value = 1.13 million yuan / (1 + 13%)

Output tax = 1 million yuan * 13% = 130,000 yuan

The sales value shall be computed in Renminbi. The sales value of the taxpayer settled in foreign currencies should be converted into Renminbi at the foreign exchange rate quoted by the People's Bank of China prevailing on the date or that on the first day of the month in which the sales take place (or the rate derived according to relevant regulations), and on the basis of which the tax payable shall be computed. Taxpayers shall determine in advance the conversion rate to be adopted. Once determined, no change is allowed within one year.

If the prices of the goods and services are obviously low and the taxpayers have no reasonable argument for that, or if there is no sales value for deemed sales of goods, the tax department may determine the sales value according to the average sales price of similar goods of the taxpayers in the same month, the average sales price of similar goods of the taxpayers in the same month, the average sales price of similar goods in recent months or the composite assessable price. Vat shall be computed and paid on the basis of the sales value thus determined.

The formula for computing the composite assessable price is:

Composite assessable price = Cost * (1 + Cost / profit ratio)

The 'cost' in above formula refers to the actual production cost of self produced goods or the

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actual shopping cost of goods purchases. The ‘cost/profit ratio’ shall be determined by the State administration of Taxation. For goods subject to Consumption Tax, the composite assessable price should also include the Consumption Tax payable.



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China Business Engine
Tel +86 21 52289730
Fax +86 21 5228-9730

Website
China site : www.cbize.com
Globe site : www.cbize.net