

➤ **Q: What is tax evasion? How penalize on tax evasion?**

A: Tax evasion means that a taxpayers fails to pay or underpays the amount of tax payable by means of forging, altering, concealing, destroying without authorization accounting books, supporting vouchers for the accounts, by overstating expenses or not stating or understating income in accounting books, non-filing returns or filing false returns after notified by the tax department to report. For tax evaders, the competent tax department shall pursue the payment of the tax evaded and impose a fine of amount up to five times of the amount of tax evaded. Where the amount of tax evaded accounts for 10% to 30% of the amount of tax payable and is over Renminbi 10000 yuan and less than 100000 yuan, or where the taxpayer evades tax again after having been subject to administrative punishment imposed by the tax department twice as result of tax evasion, a penalty of maximum three years in jail or provisional apprehension and a fine of one to five times of the tax evaded shall be imposed in addition to collecting by the competent tax department the tax evaded. Where the amount of tax evaded accounts for more than 30% of the tax payable and is over Renminbi 100000yuan, a penalty of 3 to 7 years in jail and fine of one to five times of the tax evaded shall be imposed.

Where a withholding agent fails to pay or underpays the tax which has been withheld or collected by the means as mentioned above, the competent tax department shall pursue the payment of the amount of tax the withholding agent has failed to pay or underpaid and impose a fine of up to five times of the amount of tax not paid or underpaid. Where they underpay or fail to pay the taxes withheld or collected and the amount of tax accounts for more than 10% of the amount of tax payable and is over Renminbi 10000 yuan, a penalty shall be imposed according to the provisions on tax evasion as mentioned above in addition to recovering the tax by the competent tax department.

Where penalties are not executed for multi-time offences above, the fines shall be computed on accumulative basis.

Where taxpayers or withholding agents forge tax base, the competent tax department shall order them to rectify that and impose a fine up to 50000 yuan.

Where taxpayers do not file tax returns, do not pay or pay less taxes payable, the competent tax department shall pursue the taxes and late payment interest unpaid or underpaid and impose a fine of 50% to 5 times of the taxes unpaid or underpaid.

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