

Value-Added Tax Export Refund

Taxpayers exporting goods with the applicable 0% tax rate shall, upon completion of export procedures with the customs office, apply to the competent tax department on monthly basis for VAT refund on the goods exported by providing with the export declaration documents and other documents. At present, there are 5 VAT refund rates:

- a. 17% for the exportation of vessels, motor vehicles and their key part, space and aviation equipment, railway locomotives, machinery for lifting and engineering, distance-control telephones, medical equipment and apparatus, and IT products as specified (such as integrated circuits, wireless telephones, digital control machine tools).
- b. 13% for the exportation of the machinery and equipment not subject to 17% refund rate, electrical appliances and electronic products, transportation tools, apparatus and meters, textile raw materials and the products thereof, garments, shoes, clocks, ceramics, cement, aluminum, lead, zinc, organic chemical materials, inorganic chemical materials, coating, pigment, rubber products, toy, sport articles, plastic products, traveling articles and luggage and bags, rice, wheat, corn, cotton, powder of wheat, corn powder, cut ducks, cut rabbits.
- c. 11% for the exportation of gasoline, steel materials.
- d. 8% for the exportation of coal, un-forged aluminum, yellow phosphorus.
- e. 5% for the exportation of tungsten, tin, zinc, antimony and their products, some agricultural products, pesticides.

The refund rate is 5% or 6% for the exportation of the goods purchased from small-scale taxpayers (the latter applicable to the goods of normal taxpayers with a refund rate higher than 5%).

Unless otherwise regulated, the exportation of the goods produced and exported by various production enterprises or exported by foreign trade enterprises under the authorization of the production enterprises (hereinafter referred to as production enterprise exportation) shall be subject to the method of tax exemption, credit and refund. The tax exemption stands for the exemption of VAT on the production enterprise exportation of goods at the stage of production and sales. The tax credit means that the exempt or refundable input tax of the production enterprise exportation goods paid on the consumed raw materials and parts is used to credit the VAT payable on their domestic sales of goods. The tax refund refers to that the balance of the creditable input tax in excess of the VAT payable in the current month shall be refunded.

The amount of tax under the method of tax exemption, credit and refund shall be computed on the basis of the prescribed refund rates and FOB prices of the exported goods and exchange rate.

The treatment of contracting for overseas repairing by production enterprises, the machinery and electric products by utilizing loans of international financial organizations, foreign governments by means of international bidding and the domestic enterprises winning the bid or subcontracted to the domestic enterprises after foreign enterprises win the bid shall be considered in reference to

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the above rules.

Moreover, the goods for which VAT can be refunded or exempt as especially specified by the State include the following categories:

- a. The goods transported out of China by the companies of foreign contraction for use in the contracted projects abroad.
- b. The goods purchased at home and transported out of China by enterprises for investment abroad.
- c. The equipment, raw materials and parts carried out of China for overseas processing and assembling.
- d. The goods exported by means of foreign aid preferential loans and the foreign aid joint and cooperative funds.
- e. the goods supplied by the foreign vessel supply companies and the ocean-going transportation supply companies to foreign vessels and Chinese ocean-going vessels for charge of foreign currency.
- f. The goods sold by the duty-free shops at the exit ports.
- g. The special goods purchased with ordinary invoices by exporting enterprises from small-scale taxpayers.
- h. The goods purchased by the enterprises located in the bonded zones from the domestic market beyond the bonded zones for the purpose of exportation of the goods or exportation of the goods after processing.
- i. The home made equipment, raw materials and parts sold and transported by the enterprises out of the export processing zones to the enterprises within the zones for the use of the enterprises within the zones.
- j. The water, electricity and gas consumed by the production enterprises within the export processing zones in producing the export goods.
- k. The home made equipment (including the materials and parts purchased together with the equipment) procured by the enterprises with foreign investment out of the aggregate sum of investment within the scope specified by the State for tax exemption.
- l. The home made goods purchase and exported by the Sino-foreign joint ventures of commercial nature which are established with the approval by the State Council and have the franchise of import and export.
- m. The overseas repairing business undertaken by the foreign trade enterprises.
- n. The goods and services purchased in China by the foreign embassies, consuls to China and the diplomatic representative, consular staff.

In case of goods return of Customs rejection after refund of the VAT, the taxpayers should pay back the VAT already refunded by rules.

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