

Tax inspection

1) Tax inspection is the inspection conducted by the tax department by law on the tax matters of taxpayers, withholding agents. The tax department has the right to conduct the following tax inspections:

a) Inspect a taxpayer's accounting books, supporting vouchers for the accounts, statement and the relevant information, inspect a withholding agent's accounting books, supporting vouchers for the accounts and the relevant information in respect of the amount of tax withheld and remitted or collected and remitted. This inspection may conduct at the business premises of the taxpayers, withholding agents. If necessary, upon approval by the tax commissioners at or above county level, the tax department may request the taxpayers, withholding agents to hand in the accounting books, accounting vouchers, statement and other materials of previous years for inspection. But the tax department has to give the list of the materials to the taxpayers, withholding agents and return within 3 months. In special cases (referring to the cases of VAT invoice inspection, taxpayers seriously violating the tax laws, taxpayers and other parties concerned may destroy, conceal, transfer the accounting books), upon approval by the tax commissioners at or above municipal level, the tax department may request the taxpayers, withholding agents to hand in the accounting books, accounting vouchers, statement and other materials of the current year for inspection. But the tax department has to return them within 30 days.

b) Inspect a taxpayer's taxable commodities, goods or other property at the taxpayer's premises where production or business operations are conducted and places where goods are stored inspect a withholding agent's operational conditions in respect of the withholding and remittance of tax or the collection and remittance of tax.

c) Order a taxpayer or withholding agent to furnish documents, evidentiary materials and relevant information pertaining to the payment of tax or the amount of tax withheld and remitted or collected and remitted.

d) Make inquiries of a taxpayer or withholding agent regarding the relevant issues and circumstances connected with the payment of tax or the amount of tax withheld and remitted or collected and remitted.

e) Inspect supporting documents, vouchers and relevant information pertaining to the taxable commodities, goods or other property transported by consignment or sent by post by a taxpayer at railway stations, docks, airports, and/or enterprises engaged in postal services and the branches thereof.

f) After approval by Director of the tax department at or above country level, the tax department may inspect the saving accounts that a taxpayer or a withholding agent has opened with banks or other financial institutions by presentation of a permit for the inspection of saving accounts which is of nationally unified form. In investigation the tax-related cases, the tax department may, upon approval by the tax offices at municipal level or above, inspect and inquire the saving deposits of the persons concerned with the cases. The materials obtained in the inspection and inquiry should not be used for other non-tax purposes.

g) For the taxpayers use computerized accounting system, the tax department has the right to The copyright and/or other intellectual property rights of China Business Engine including related text, images, charts, sound, animation, and videos, and their arrangement on the China Business Engine website, are protected by copyright and other protective laws.

inspect the computerized accounting system. Regarding the accounting records and other relevant tax materials processed and stored in the computer system, the tax department has the right to access to the system for inspection and may copy the electronic data relevant to the tax payment as evidence. When inspecting, the tax department has the responsibility to promise the security of the accounting computer system of the taxpayers and keep the commercial secrets for the taxpayers.

In conducting the tax inspection, the tax official sent by the tax department should show the tax inspection card and the tax inspection notice (otherwise, the persons inspected have the right to refuse the inspection), and is responsible for confidentiality for the taxpayers inspected.

Where the tax department find any behavior of the taxpayers of avoiding payment of taxes and the activities of transferring, hiding taxable commodities, goods and other property or taxable income when conducting tax inspections on the tax payment materials of the taxpayers engaged in production or business operation in previous years, the tax department may take tax guaranty measures or tax enforcement measures by law.

2) The taxpayers and withholding agents should accept the tax inspections by the tax department according to laws, make true disclosure and provide relevant materials, and should not refuse or conceal anything.

3) in course of tax inspection by the tax department according to law, the tax department has the right to investigate the relevant units and individuals on the payment of taxes of the withholding or collecting of taxes by the taxpayers, withholding agents or other parties concerned. The relevant units and individuals have the obligation to truly provide relevant materials and evidential documents (for example, the industrial and commercial administration department may provide the taxpayers' information of business license, legal representative, business place, business operation, business scope; the banks may provide the information concerning the taxpayer's accounts, fund flow; the transportation department may provide the information concerning the taxpayer's goods transportation; the units and individuals having purchase and sale of goods, labor).

4) The Customs Department has the following authorities:

- a. Inspect the transportation tools into or out of China, check on the goods and items into or out of China or detain those in violation of Customs Law or other relevant laws, administrative regulations.
- b. Examine the ID of the people entering or exit of China; inquire the suspected persons violating the Customs Law or other relevant laws, administrative regulations and investigate their offensive behaviors.
- c. Examine and copy the relevant contracts, invoices, accounting record, vouchers, records, documents business correspondence, voice or video recordings and other materials in relation to the transportation tools, goods and items into or out of China; and may detain the transportation tools, goods or items related to the violation of Customs law or other relevant laws, administrative regulations.

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- d. Examine the transportation tools suspected of smuggling and the places suspected of hiding smuggling goods and items and examine the body of the suspected persons in the Customs controlling area and the coastal area and border area near the Customs. The Customs may, upon approval by the director of the Customs Office directly under the General Administration of Customs or the director of the Customs office authorized by the General Administration of Customs, detain the transportation tools, goods, items and persons suspected of smuggling. The detaining of suspected persons should not be over 24 hours, but it may be extended to 48 hours under special circumstances.

Beyond the Customs controlling area and the coastal area and border area near the Customs, when investigating the case of smuggling, the Customs may, upon approval by the director of the Customs Office directly under the General Administration of Customs or the director of the Customs Office authorized by the General Administration of Customs, inspect the transportation tools suspected of smuggling and the places except for residential houses of citizens suspected of hiding smuggling goods and items with the relevant persons concerned present. With the witness present, inspection may be conducted even without the relevant persons concerned present. The Customs may detain the transportation tools, goods and items that prove suspected of smuggling.

- e. In investigation the cases of smuggling, the Customs may, upon approval by the director of the Customs Office directly under the General Administration of Customs or the director of the Customs Office authorized by the General Administration of Customs, check and inquire the deposits and money remittance of the suspected units and persons in the financial institutions and post enterprises.
- f. Should the transportation tools or individuals entering or exit of China flee from the control of the Customs, the Customs may pursue to the areas Beyond the Customs controlling area and the coastal area and border area near the Customs and bring them back for treatment.
- g. The Customs may be equipped with weapons for performance of tasks.
- h. Other authority performed by the Customs according to laws and administrative regulations.

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