

## Administration of invoices

Invoices are the documents of payment and receipt of payment issued or obtained in sales or purchase of goods, provision or receipt of labor services and other business activities and play important role in the economic activities. In China, the tax department is the competent organ for administering the invoices, responsible for the management and monitoring of invoice printing, purchasing, issuance, receipt, storage and cancellation. The administration of invoices such as types of invoices, number of copies, contents and scope of use is charged by the State Administration of Taxation. The units and individuals should issue, use or receive invoices when they buy or sell goods, provide or receive business services or are engaged in other business activities.

The Chinese tax administration always attaches great importance to the administration of invoices. The current Methods of the People's Republic of China on Administration of Invoices was approved by the State Council on December 12, 1993 and promulgated for implementation by the Ministry of Finance on December 23, 1993. The above Methods have to be followed by all units and individuals in printing, purchasing, issuing, obtaining and/or storing invoices. In addition, there are special rules on administration of special VAT invoices.

### 1) Copies of invoices

Each invoice has three basic copies. The first copy is the counterfoil that is kept by the issuing party for later check. The second copy is invoice copy that is the original document for payment or receipt of payment of the holder of the copy. The third copy is the recording copy that is the original document for accounting records of the issuing party.

The special VAT invoice should include the credit copy that is the document for crediting tax by the holder of the copy.

Except for special VAT invoices, the number of copies of invoice may be properly increased or decreased with specified purpose of use by the tax department at or above county level where necessary.

### 2) The basic contents of invoices

The basic contents of invoices include: name of invoice, size of character, copies and use, name of customer, opening bank and account number, name of goods or business item, unit of measurement, quantity, price, payment, writer of invoice, date of issuance, and name of issuing unit.

For those withholding tax, collecting tax on behalf or collecting tax on trust, the contents of invoices should also include the tax rate of withholding or collecting on behalf or on trust and the amount of tax withheld or collected on behalf or on trust.

The contents of special VAT invoices should also include address and tax registration number of purchaser, VAT rate, amount of VAT, and the name, address and tax registration number of the supplier.

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The nation wide unified model (including type invoice, usage of copies, concrete contents, pattern of layout, size, and scope of use) of invoices is to be determined by the State Administration of Taxation. The model of invoices unified within one province, autonomous region or municipality directly under the State Council is to be determined by the competent tax department (the office of SAT or local tax bureau, and hereinafter the same meaning) at provincial level.

### 3) Printing of invoices

The special VAT invoices shall be printed by the enterprise designated by the State Administration of Taxation. Other invoices shall be printed by the enterprises designated by the competent tax department at provincial level. It is prohibited to privately print, falsely print or forge invoices.

The anti-forgery products for invoices shall be produced by the enterprise designated by the State Administration of Taxation. It is prohibited by law to produce invoice anti-forgery products illegally.

The tax department monopolizes the administration of invoice printing. The tax department shall issue the invoice printing permit to the qualified enterprises after strict examination on the qualification of the enterprises for printing the invoices.

The tax department shall conduct regular inspection on the enterprises printing invoices and the enterprises producing anti-forgery products. Once found any deviation from the specified conditions, the enterprises shall be deprived of the qualification of printing invoices or of producing anti-forgery products.

The invoices should also be printed with the nation wide unified invoice monitor stamp that is the statutory symbol of the administration over invoices by the tax department. The pattern of the stamp and layout of invoice shall be determined by the State Administration of Taxation. The invoice monitor stamp shall be prepared by the tax department at provincial level. It is prohibited to forge the invoice monitor stamp.

The invoices shall change pattern on irregular basis. The specific time, contents and requirement for the change of pattern shall be determined by the State Administration of Taxation.

The invoice printing enterprises should set up invoice printing management system and measures for storage of invoices in conformity with the uniform rules of the tax departments. The enterprises should assign special persons for the use and management of invoice monitoring stamp and the anti-forgery products in particular.

The invoice printing enterprises should print the invoices according to the pattern and quantity of invoices approved by the competent tax department.

Except for special VAT invoices, the invoices used by various units and individuals within one administrative jurisdiction at provincial level should be printed within their own province (autonomous region or municipality directly under the State Council). Where it is necessary to print the invoices in other provide (autonomous region or municipality directly under the State Council), it 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.

has to be agreed after the competent tax department at provincial level of their own location consults the competent tax department at provincial level in other jurisdiction and the invoices shall be printed in the enterprises designated by the competent tax department at provincial level in other jurisdiction. It is prohibited to print invoices outside China.

The units with fixed places of production or business operation, with perfect accounting and invoice management system and with large use of invoices may apply for self-printing the invoices with their names in the invoices. Where the unified pattern of invoices fails to meet the need of businesses, the units may also design the pattern of invoices by their own. The self-printing or designing of invoices has to be approved in advance by the competent tax department at or above county level.

#### 4) The purchase of invoices

The various units and individuals having received the tax registration certificates after making tax registration by law may apply to the competent tax department for purchasing the invoices. The purchasing units and individuals should, at the time of submitting the application, provide the identification (such as resident identification card, passport or work identification card) of the sole person handling invoices, the tax registration certificate or other relevant documents, financial stamp or the pattern of the special stamp for invoice use. After check by the competent tax department, they will be given the invoice purchasing recording book. The invoice purchasing units and individuals may purchase invoices from the competent tax department according to the type of invoices, quantity and approaches as verified in the invoice purchasing recording books. The units and individuals purchasing special VAT invoices should also provide the tax registration certificates (transcript) with the special stamp for identifying normal VAT taxpayers. Those small VAT taxpayers and those who are not VAT taxpayers can not purchase special VAT invoices.

The units and individuals who do not need to make tax registration by law may apply to the competent tax department for purchasing the invoices according to rules if they need to purchase invoices.

The units and individuals needing to use invoices temporarily may directly apply to the competent tax department for that, and at the same time they should provide the written proof for purchases and sales, provision and receipt of services or other business activities. In case of need to pay taxes by law, the competent tax department should collect the tax due at the time of issuing the invoices.

For temporary business activities in other provinces (autonomous regions or municipalities directly under the State Council), the units and individuals may, upon the documents of the competent tax department of their location, apply to the competent tax department where the business activities take place for purchasing the invoices of the jurisdiction where the business activities take place. The measures for invoice purchases for cross-city or county business activities within one's own province (autonomous region or municipality directly under the State Council) shall be ruled by the competent tax department of one's own provide (autonomous region or municipality directly under the State Council).

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For the units and individuals from other province (autonomous region or municipality directly under the State Council) coming to conduct temporary business activities in its province, the tax department may request them to provide guarantors, or to pay maximum of 10000 Yuan guaranty payment in relation to the face value limit of the invoices and the quantity of invoices purchases, and instruct them to give back and write off the invoices within certain time. The guaranty obligation of the guarantors shall be lifted or the guaranty payment shall be returned if the invoices are given back and written off in time. Otherwise, the guarantors shall undertake the legal responsibility or the legal responsibility shall be met by the guaranty payment. When receiving the guaranty payment, the tax department should issue a receipt for that.

Where the taxpayers or withholding agents engaged in production, business operation refuse to accept the treatment of the tax department for their tax violence, the tax department may take over the invoices or stop selling invoices to them.

#### 5) Issuance of invoices

When the units and individuals engaged in sales of goods, provision of services and other business activities receive payment for businesses, the receiving party of the payment should issue invoice to the paying party. In special circumstances (such as when the purchasing units and withholding agents pay to individuals), it is the paying party that issues invoice to the receiving party.

When making payment for purchasing goods, receiving services and other business activities, various units and individuals of production or business operation should obtain invoices from the recipient of the payment and should not request to change the name of goods and item and the amount of payment. The invoices should be filled in truthfully on all copies at one instance by each column according to the prescribed time order and limit, and should be put on the financial stamp or special stamp for invoice use of the units.

The issuance of invoices by means of computers have to be approved by the competent tax department, and the pre-printed external invoices under monitor by tax department have to be used. The counterfoil copies after issuance should be proud in volume by order number.

In case of need to issue red character invoices due to sales return after issuance of invoices, the previous invoices have to be taken back and put 'invalid' on, or the valid documents have to be obtained from the other party. In case of sales discount, invoice should be re-issued after taking back the previous invoice and putting 'invalid' on it.

The invoices not in conformity with rules (such as not monitored by tax department, not completely filled in, contents being not true, handwriting not clear, without financial stamp or special stamp for invoice use, forged, 'invalid') should not be used as documents for financial reimbursement. Any unit or individual has the right to refuse them.

No unit or individual shall be allowed to lend, transfer or issue the invoices on other's behalf. Without approval by the tax department, it is not allowed to take a book of invoices apart for use and it is not 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.

allowed to expand at discretion the escape of use of professional invoices. It is prohibited to ride on invoices, invoice monitoring stamps and anti-forgery products of invoices.

The issuance of invoice generally is limited to the same province (autonomous region or municipality directly under the State Council) of the purchasing units and individuals. The competent tax department at provincial level may formulate the rules governing the issuance of invoices across city, county within its province (autonomous region or municipality directly under the State council). Without approval by the tax department, any unit or individual is not allowed to carry mail or transport blank invoices cross the border of the area specified by law. It is prohibited to carry mail or transport blank invoices outside China.

#### (6) Storage of invoices

The invoice issuing units and individuals should establish invoice use recording system, set up invoice recording books, and periodically report to the competent tax department about the use of invoices. The invoices should be stored and kept according to the rules by the tax department, and should not be lost or damaged at discretion. In case of invoice lost, it should be reported on the same day of losing to the competent tax department and announced in newspapers, magazines or other media the invalidity of the invoice. The counterfoil copies of invoices recording books should be kept for five year. After five years, they may be destroyed after check by the competent tax department. In going through the formalities of change or cancellation of tax registration, the parties concerned should go through the formalities of change or cancellation of invoices and invoice purchasing books at the same time.

#### 7) Invoice inspection

In invoice administration, the tax department may inspect on the printing, purchasing, issuance, obtaining and storage of invoices, take out invoices for checking, read and/or copy the vouchers and documents related to invoices, and inquire the parties concerned about anything concerning invoices. In investigating the case of invoices, the tax department may take notes, tape record, video record, take photo or duplicate the materials relevant to the cases. In conducting invoice inspection, the tax officers should show their tax inspection card.

The units and individuals printing or using invoices should accept the inspections by tax department by law report the truth and provide relevant information. They should not refuse or hide anything relevant.

When the tax department needs to take out the invoices issued for check-up, the tax department should issue to the units and individuals under check-up the invoice replacement vouchers that have the same effect as the invoices taken out. The invoice replacement voucher should only be used within the country (or city). In case of need to take out the invoices of other country (city) for check-up, the tax department should contract the competent tax department of other county (city) and issue the invoice replacement vouchers of the other county (city) concerned.

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When needing to take out blank invoices for check-up, the tax department should write out receipt. If no problem is found after check-up, the invoices should be returned immediately.

Where the tax department has doubt in inspection about the tax-related invoices or vouchers obtained from outside china, the tax department may request the relevant units and individuals to provide the proof of overseas notary institutions or certified public accountants. After verification on the proof by the tax department, the invoices or vouchers obtained from abroad may be used as accounting vouchers.

In case of needing to cross check on the counterfoil copy and the invoice copy in invoice inspection, the tax department may send the invoice cross-check card to the unit and individual holding the counterfoil copy or the invoice copy. The relevant unit and individual should truthfully fill in the card and send the card back within 15 days after receipt of the blank card.



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**China Business Engine**

Tel +86 21 52289730

Fax +86 21 5228-9730

**Website**China site: [www.cbize.com](http://www.cbize.com)Globe site: [www.cbize.net](http://www.cbize.net)