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Tax bureau warns invoice malpractices

Contacts

China

Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202

Ened Du
Senior Manager
ened.du@wts.cn
+ 86 21 5047 8665 ext.215

Isabelle Han
Consultant
isabelle.han@wts.cn
+ 86 21 5047 8665 ext.227

In brief

- » Harbin State Administration of Taxation (SAT) issued a warning on failure to comply with invoicing regulations.

Feedback

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In Detail

Invoice frauds are close to an epidemic in tax administration. "Invoice" (*fapiao* in Chinese), per China's invoicing regulations, is broadly defined as "all sorts of evidence proving the proceeds from the transactions of goods, services or any other business operations". Tax authorities around the country are stepping up efforts to combat invoicing frauds. Harbin city (the capital of Heilongjiang province), in one example, issued a warning to all taxpayers in the city.

The warning, issued by Harbin State Administration for Taxation (SAT) on 18 August 2020, has shed some light on its concern. While it urges a strict adherence to the "*China's Administrative Regulations Governing Invoices*" (2019), it highlights how serious malpractices could be dealt with – public disclosure. See details below.

1. Invoice administration

It re-emphasizes the need of *fapiao* compliance in ALL stages, from printing, purchasing, issuing, obtaining, safekeeping to cancellation.

2. Invoice issuance

It underscores the payees' obligation to issue invoices to the payers when they sell goods, provide services or conduct any other business activities. This is an obvious appeal to those engaging in a rather common tricks of not issuing invoices to save taxes.

3. Penalty

The warning has gone so far as to detail the invoicing malpractices that will risk a CNY 10,000 penalty and income confiscation, including such acts as "*not issuing invoices, delaying the invoicing, issuing invoices not in sequence, with improper classification or incomplete copies, without proper stamping, or issuing other receipts in lieu of invoices*".

4. Public disclosure

Perhaps the scariest of all comes from the proclamation that the tax bureau has the right to disclose to the public the identity of the taxpayers who have committed two or more offences or serious violations against the invoice regulations.

WTS observation

Observing *fapiao* rules can never be over-emphasized when it comes to risk controlling. In a recent seven-month national raid against tax crimes, as announced by the China Police website on 19 March 2020, 16,364 tax crime cases were filed, 10,260 people arrested, and CNY 11.75 billion tax revenue recovered. Most of the cases involve malpractices in VAT invoices, typically dubbed as "fraudulent invoicing, "cheating in tax refund" and "falsified filings". Harbin SAT's warning should ring a bell to those paying little attention to invoicing rules.

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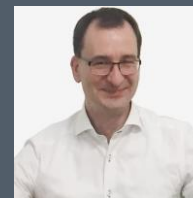
China Contact

Martin Ng
Managing Partner
martin.ng@wts.cn
+ 86 21 5047 8665 ext.202



Germany Contact

Ralf Dietzel
Partner
ralf.dietzel@wts.de
+49 (0) 89 28646 1745



Ened Du
Senior Manager
ened.du@wts.cn
+ 86 21 5047 8665 ext.215



Xiaolun Heijenga
Partner
xiaolun.heijenga@wts.de
+ 49-69-1338 456 320



Isabelle Han
Consultant
isabelle.han@wts.cn
+ 86 21 5047 8665 ext.227



WTS China Co., Ltd.
Unit 031,29F, Hang Seng Bank Tower ,No.1000 Lujiazui Ring Road,
Pudong New Area, Shanghai, 200120 PRC
T: +86 21 5047 8665
F: +86 21 3882 1211
www.wts.cn
info@wts.cn



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