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# Tax Legislation of the People's Republic of China and its Information Sources

**Abstract**
Revenue Law is one very important part of China's legal system. In China, there has not been a single tax code but rather, a whole series of seperate laws and regulations on various kinds of tax. In view of the complexity of tax law and its propensity to change, it is important for researchers and practitioners to have access to tax law materials. The purpose of this paper is to provide information on sources of Chinese tax law.

**Keywords**
Chinese tax law, tax system, China, PRC

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# TAX LEGISLATION OF THE PEOPLE'S REPUBLIC OF CHINA AND ITS INFORMATION SOURCES

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**Revenue Law is one very important part of China's legal system. In China, there has not been a single tax code but rather, a whole series of separate laws and regulations on various kinds of tax. In view of the complexity of tax law and its propensity to change, it is important for researchers and practitioners to have access to tax law materials. The purpose of this paper is to provide information on sources of Chinese tax law.**

## 1 INTRODUCTION

This paper details the resources available to those researching the Chinese tax system. Part 2 provides information on the historical background to the current system. Part 3 reviews current primary materials. Part 4 reviews current secondary materials.

## 2 HISTORICAL BACKGROUND ON CHINA'S TAXATION SYSTEM AND LEGISLATION

The People's Republic of China (PRC) came into being on 1 October 1949. Since then, the PRC's taxation system has evolved through four phases, following the different periods of political and economic change.

### A Unification of the national taxation system (1950-1957)

The Government Administration Council of the new China started a programme of unification of the taxation system as part of the general political and economic reform. Two important documents: "Nation-Wide Tax Policies" and "Decision Regarding Unification of National Taxation Administration" laid the foundations. The documents outlined tax policies, the tax system and principles underlying the setting up of national tax authorities. They were followed by other interim regulations on deed tax,

industrial and commercial tax, real estate tax (draft), land tax (draft), income interest tax, slaughtering tax, stamp tax, excise tax, and others.

### B Reforming of industrial and commercial tax and unification of national agricultural tax (1958-1978)

From 1958 China's tax reform focused on tax consolidation. In September 1958, the standing committee of the National People's Congress (NPC) passed, in principle, the "Regulations of the People's Republic of China on Industrial-Commercial Consolidated Tax (draft)". The regulation incorporated commodity circulation tax, excise tax, business tax and stamp tax paid by business enterprises into a uniform industrial-commercial consolidated tax. It also simplified some tax collection practices and adjusted the rate of taxation. The NPC passed the "Regulations of the People's Republic of China on Agricultural Tax" which unified the national agricultural taxation system. In 1973, the State Council approved the "Regulations of the People's Republic of China on Industrial and Commercial Tax (draft)" which, among other reforms, experimented with industrial and commercial tax and simplified the taxable item and tax ratio.

### C General tax reform (1979-1993)

From 1979, when China opened itself to the outside world, it refocused its tax reform programme from a consolidated tax to a differentiated tax system by:

(1) replacing profits with taxes. State enterprises now had to pay taxes to the State instead of simply remitting all their profits;
(2) reforming industrial and commercial tax. The consolidated industrial-commercial tax was broken into several differentiated taxes: product tax, value-added tax, business tax, and salt tax;
(3) levying some new taxes, such as special fuel oil tax, construction tax, bonus tax, wages' regulation tax, resource tax and stamp tax;
(4) reforming and perfecting local tax; and
(5) establishing and perfecting the taxation system covering foreigners.

During this period, the national legislatures and administrative authorities passed many tax laws, rules and regulations. The most important are as follows:

*Law*

- Individual Income Tax Law of the People's Republic of China (1980)
- Income Tax Law of the People's Republic of China for Foreign Enterprises (1982)
- Income Tax Law of the People's Republic of China Concerning

Chinese-Foreign Equity Joint Ventures (1983)

- Decision of the Standing Committee of the National People's Congress Regarding Revision of the Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures (1983)
- Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (1991)
- Law of the People's Republic of China on the Administration of Tax Collection (1993)
- Resolutions of the Standing Committee of the National People's Congress Regarding the Application of Provisional Regulations on Value-added Tax, Consumption Tax, Business Tax, etc to Foreign Investment Enterprises and Foreign Enterprises (1993)

***Rules and regulations***

- Rules for the Implementation of the Individual Income Tax Law of the People's Republic of China (1980)
- Rules for the Implementation of the Income Tax Law of the People's Republic of China Concerning Chinese-Foreign Equity Joint Ventures (1980)
- Rules for the Implementation of the Income Tax Law of the People's Republic of China for Foreign Enterprises (1982)
- Interim Provisions of the State Council Concerning the Reduction of and Exemption from Enterprise Income Tax and Consolidated Industrial and Commercial Tax in the Special Economic Zones and the Fourteen Coastal Port Cities (1984)
- Interim Provisions Concerning Imposition of Consolidated Industrial and Commercial Tax and Enterprise Income Tax on Resident Representative Offices of Foreign Enterprise (1985)
- Regulations of the People's Republic of China on Import and Export Duties (1985)
- Regulations of the People's Republic of China for Certified Public Accountants (1986)
- Interim Provisions of the State Council Concerning the Reduction of Individual Income Tax on Income from Wages and Salaries of Foreign Nationals Who Come to Work in China (1987)
- Interim Regulations of the People's Republic of China on Stamp Tax (1988)
- Provisions Concerning the Payment of Royalties for the Exploitation of Offshore Petroleum Resources (1989)
- Interim Provisions Concerning the Payment of Royalties for Chinese-Foreign Cooperative Exploitation of Petroleum Resources on Land (1990)
- Provisions Concerning Reduction of and Exemption from Enterprise

Income Tax and Consolidate Industrial and Commercial Tax for the Encouragement of Foreign Businessmen to Invest in the Shanghai Pudong New Zone (1990)

- Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (1991)
- Provisional Regulations of the People's Republic of China on Value-added Tax (1993)
- Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (1993)
- Provisional Regulations of the People's Republic of China on Consumption Tax (1993)
- Provisional Regulations of the People's Republic of China on Business Tax (1993)
- Provisional Regulations of the People's Republic of China on Enterprise Income Tax (1993)
- Provisional Regulations of the People's Republic of China on Resource Tax (1993)
- Provisional Regulations of the People's Republic of China on Land Appreciation Tax (1993)
- Measures of the People's Republic of China for the Control of Invoices (1993)

### D Refinement of tax reforms (1994-present)

From 1994 China refined its tax reform programme to coincide with the establishment of a socialist market economy. It aimed to apportion tax receipts fairly between the central and local governments. In December 1993, the State Council approved two initiatives by the General Taxation Bureau: the "Decision Implementing Division of a System for Tax Revenues" and the "Operative Project on Reform of the Industrial and Commercial Tax System." This led to the introduction of the most comprehensive tax reform package ever, effective 1 January 1994. There were two aspects to the reforms:

(1) changing the unitary system of tax collection and administration, and replacing it with a system for division of tax revenues; and
(2) reforming the existing taxation system, and replacing it with one that consisted mainly of circulation tax and a uniform income tax.

***Additional references***

The following books provide more information on the history and development of China's taxation system.

- *General History of Taxation in China* (Guangming Daily Press, 1991). The first book on the history of taxation in China, it contains a

comprehensive survey from the Xia Dynasty (about 21st century BC - 16th century BC) to 1989. It provides an in-depth analysis of business and commercial taxes, agricultural taxes and tariffs.

- *China of Today: Taxation* (Today's China Press, 1994). This book surveys the historical development of new China's industrial and commercial tax system - its achievements, experiences and lessons.
- *Collection of Talks of Chief Leaders at the National Tax Meetings Since the Founding of the PRC* (China Tax Press, 1996). It traces the economic development and changes in taxation policy in China over 45 years.

## 3 PRIMARY MATERIALS

These include statutes passed by national legislatures and rules and regulations made by administrative agencies. They can be divided into two broad categories: official and unofficial publications. Official publications are compiled by the Commission for Legislative Affairs of the Standing Committee of the NPC and the Bureau of Legislative Affairs of the State Council, and generally have the national emblem printed on the front cover.

### General official publications (chronological)

- *Gazette of the Standing Committee of the NPC of the PRC* (1957-, irregular, about four times a year).
- *Laws of the PRC* (1979- , annually).
- *Laws and Administrative Regulations of the PRC* (1995, 9 Vols, loose-leaf).
- *Gazette of the State Council of the PRC* (1955- , about thirty times a year).
- *Collection of Administrative Regulations of the PRC* (1954- , annually).
- *Collection of New Administrative Regulations of the PRC* (1988- , quarterly).

### General official publications (by subject)

- *Basic Laws and Regulations of the PRC on Industrial and Commercial Tax* (China Tax Press, 1992- , annually). Compiled by the General Taxation Bureau, it includes seven parts: circulation tax, income tax, resources tax, property tax, act tax, tax collection and administration, and an appendix. The book contains all the basic laws, administrative rules, and regulations on industrial and commercial tax.
- *Tax Laws of the PRC* (Central Volume, China Tax Press, 1996). Compiled by the General Taxation Bureau, this two-volume loose-leaf service - the first of its kind in China - contains all the basic tax laws

and administrative rules and regulations for the period October 1949 - June 1995.

- *Collection of China's Tax Laws and Regulations Concerning Foreign Affairs* (China Finance and Economy Press, 1989) and *Tax Laws and Regulations of the PRC Concerning Foreign Affairs* (China Tax Press, 1996).
- *Regulations of the PRC on Import and Export Duties and Import Tariff* (Law Press, 1996). Edited by the office of State Council Customs Tariff Commission and General Administration of Customs, this book is the only authorised publication on tariff schedules to determine tariff adjustments and changes.

**English versions**

- *Tax Laws and Regulations of the PRC - Chinese and English Version* (China Tax Press, 1997). Compiled by the General Taxation Bureau, it contains all basic tax laws and regulations for the period October 1949 - June 1996.

## 4 SECONDARY MATERIALS

**Encyclopaedias**

- *China's Tax Encyclopaedia* (Economy Management Press, 1991). A single volume with 1117 entries and some charts, it has three parts: tax theory, the taxation system and tax administration. It includes the theory of tax, academic commentaries and analysis, the taxation system of China and foreign countries, tax collection and administration, and tax authorities. Appendixes include reference materials such as a chronicle of the major Chinese taxation events and Chinese tax statistics (1950-1990).

- *Great Encyclopaedia of China: Finance, Taxation, Banking, and Prices* (China Great Encyclopaedia Press, 1993). The section on taxation contains entries on tax policy, tax institutions, tax management and international taxation as introduction to tax theories, categories of taxes, the taxation system, tax authorities, and tax laws and regulations of China and foreign countries.

- *Financial Law Encyclopaedia* (China University of Political Science and Law Press, 1994). The first comprehensive encyclopaedia on financial and tax law published in China, it was compiled by experts and scholars from the Ministry of Finance, General Taxation Bureau, People's Bank of China and China University of Political Science and Law. Tax law is in the second part of the book.

## Yearbooks

These are compiled by central revenue or finance authorities.

- *Tax Year Book of China* (1993-), compiled and published by the General Taxation Bureau. It is a systematic compilation of information on both central and regional tax systems, tax policies, tax laws and regulations. It contains important tax documents, information and statistics of the previous year, and provides a useful summary of the general state of taxation in China.

- *Finance Year Book of China* (1992-), compiled and published by the Ministry of Finance. It contains important finance information including: an analysis of treasury policy and operation at both central and local levels, selected financial regulations, financial administration and personnel, financial statistics, and information and materials concerning taxation.

There are also several regional yearbooks.

- *Tax Year Book of Huangyan* (1987-), a city of Zhejiang province, famous for its oranges.
- *Finance and Tax Year Book of Huanggang Prefecture* (1986-), a prefecture of Hubei province.
- *Finance Year Book of Guangxi Province* (1985-)
- *Finance Year Book of Chongqi* (1987-), a new municipality directly under the central government. It was approved by the NPC in the fifth session of the Eighth National People's Congress in March 1997.
- *Finance Year Book of Nanjing* (1987-), the provincial capital of Jiangsu province.
- *Finance Year Book of Beijing* (1993-)
- *Finance Year Book of Xinjiang* (1986-)

Apart from the subject yearbooks mentioned above, materials may also be available from general yearbooks at both central and local levels.

## Handbooks

There are several commercially published handbooks on the 1994 tax reforms and their implementation.

- *A Guide to the New Chinese Taxation System* (China Foreign Economic and Trade Press, 1994) is probably the best single volume. It provides a systematic treatment on the structure and operation of the new tax system.

- *Business Book of China on the New Taxation System* (China Finance Press, 1994) and *Handbook of Central and Local Tax* (Enterprise Administration Press, 1995, 2 vols). Both are useful but do not include legislation.

There are two official handbooks compiled by the General Taxation Bureau.

- *Guide to China's Industrial and Commercial Tax* (China Tax Press, 1995). It summarises the new tax laws and regulations, and includes sections on the taxing agency, taxable items, tax rates, the tax base, the main regulations of abatement and exemption of tax, tax collection and tax administration.
- *Handbook of Local Tax* (China Tax Press, 1995). It gives a systematic treatment of nine types of local tax. It includes all tax laws and regulations current in 1994.

**Dictionaries**

- *Big Tax Dictionary of China - New Edition* (China Economy Press, 1996). The current major tax dictionary, it has over 6000 entries and 1.8 million words. The previous two editions won first prize for national taxation scientific research in 1993. The new edition has updated entries on the new tax laws and regulations. It is considered the most comprehensive and accurate tax reference manual.
- *Tax Dictionary* (Liaoning People's Press, 1993) and *China Tax Dictionary: New Edition* (Beijing Teachers' College Press, 1994). They are useful references for tax terms, and entries are arranged in a tax theory framework.
- *A Practical Dictionary of Tax Law* (Law Press, 1993). The first dictionary on tax law, it has 6000 entries covering substantive and procedural law of both Chinese and international tax.

**Periodicals**

At present, there are over thirty tax periodicals in China. They can be divided into two categories according to their publisher: official journals published by tax authorities at both central and local levels, and academic tax journals published by tax associations (practitioner-oriented) or tax schools (theory-oriented).

Generally, the official journals contain information on tax collection and administration, tax reform, tax studies, tax enquiries, experiences within the tax system, and tax law, regulations and circulars.

The main tax journals (in alphabetical order) are as follows.

- *Beijing Tax* (Beijing tax bureau)
- *China Tax* (periodical publisher of China Finance)
- *Grassland Tax* (tax bureau of Huhehaote city, Inner Mongolia autonomous region)
- *Guangxi Tax* (tax bureau and tax association of Guangxi province)
- *Jiangxi Tax* (tax bureau and tax association of Jiangxi province)
- *Jilin Tax* (tax bureau and tax association of Jilin province)
- *Jilin Finance and Tax* (financial department of Jilin province)
- *Shaanxi Tax Research* (tax bureau of Shaanxi province)
- *Tax and Economy* (Changchun Tax College)
- *Tax and Enterprise* (tax bureau of Shanxi province)
- *Tax and Society* (tax bureau of Xi'an city, Shanxi province)
- *Taxer* (tax bureau and tax association of Hubei province)
- *Tax Research Material* (National General Taxation Bureau)
- *Tax Research* (Tax Association of China)
- *Tax Study* (tax bureau and tax association of Qinghai province)
- *Theory and Practice of Tax* (Hubei Financial School of Middle - South Financial University)
- *Xinjiang Tax* (tax bureau of Xinjiang Uygur Autonomous Region)
- *Yunnan Tax* (tax bureau of Yunnan province)
- *Yunnan Tax Research* (tax association of Yunnan province)