

# Taxation (F6) China (CHN) June 2008

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

## THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

### Relational diagram of paper with other papers

This diagram shows where any direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other, such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

### Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper

### Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

### Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

### Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

### Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

### Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

### Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate and the broad intellectual level at which these may need to be demonstrated (\*See intellectual levels below)

### Reading lists

ACCA examiners will recommend study texts and text books where these are available, which students may read as part of their preparation for the exam. Relevant articles will also be published in *student accountant*.

### INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

## LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours because increasingly study and learning patterns and styles vary greatly between people and organisations and in different personal, professional and educational circumstances.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down in those particular papers.

## GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Performance Management* (F5) and *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification examination papers is 50%.

## GUIDE TO EXAMINATION ASSESSMENT

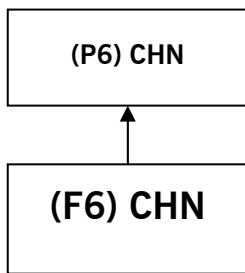
ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers, ACCA will publish *examinable documents* every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session.

Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for the June examinations is 30 November of the previous year, and for the December examinations, it is 31 May of the same year.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

# Syllabus



## AIM

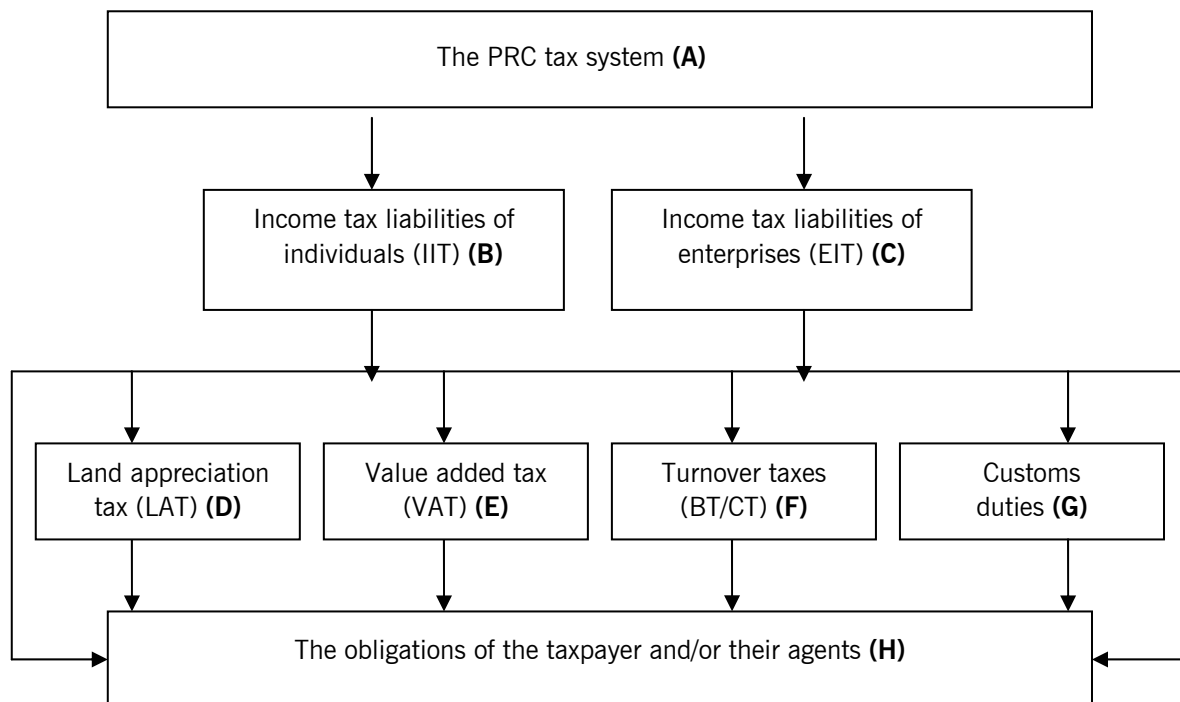
To develop knowledge and skills relating to the PRC tax system as applicable to individuals, domestic enterprises and foreign invested enterprises.

## MAIN CAPABILITIES

After completing this examination paper students should be able to:

- A** Explain the operation and scope of the PRC tax system
- B** Explain and compute the income tax liabilities of individuals
- C** Explain and compute the income tax liabilities of corporate enterprises
- D** Explain and compute the effects of land appreciation tax for individuals and enterprises
- E** Explain and compute the effects of value added tax for individuals and enterprises
- F** Explain and compute the effects of turnover taxes (business tax and consumption tax) for individuals and enterprises
- G** Explain and compute the effects of customs duty on the business transactions of individuals and enterprises
- H** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance.

## RELATIONAL DIAGRAM OF MAIN CAPABILITIES



## **RATIONALE**

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as the income tax liabilities of individuals, domestic corporate enterprises and foreign invested enterprises; the value added tax and turnover tax liabilities of businesses; and the land appreciation tax arising on disposals of property by both individuals and enterprises.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of their calculations, apply tax planning techniques for individuals and companies and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

## **DETAILED SYLLABUS**

### **A The PRC tax system**

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. The structure of the PRC tax system
4. Tax avoidance and tax evasion

### **B Income tax on individuals**

1. The scope of individual income tax (IIT)
2. Income from employment
3. Income from privately owned business operations
4. Income from the provision of contracting and other services

5. Property, investment and other sources of income
6. The comprehensive computation of taxable income and tax liability
7. The use of exemptions and reliefs in deferring and minimising tax liabilities

### **C Income tax on enterprises**

1. The scope of enterprise income tax (EIT)
2. The profits chargeable to EIT
3. The comprehensive computation of tax liability
4. Tax incentives
5. The use of exemptions and reliefs in deferring and minimising tax liabilities

### **D. Land appreciation tax**

1. The scope of land appreciation tax (LAT)
2. The computation of LAT liabilities
3. The use of exemptions and reliefs in deferring and minimising tax liabilities

### **E. Value added tax**

1. The scope of value added tax (VAT)
2. The computation of VAT liabilities
3. Imports and exports
4. The administration of VAT

### **F. Turnover taxes (business tax and consumption tax)**

1. The scope of business tax (BT)
2. The computation of BT liabilities
3. The scope of consumption tax (CT)
4. The computation of CT liabilities

5. The administration of turnover taxes (BT/CT)

**G. Customs duty**

1. The scope of customs duty
2. The computation of customs duty
3. The administration of customs duty

**H. The obligations of taxpayers and/or their agents**

1. The systems for the assessment of tax and the making of returns
2. The time limits for the submission of information, claims and payment of tax
3. The procedures relating to enquiries, disputes and appeals
4. Penalties for non-compliance

**APPROACH TO EXAMINING THE SYLLABUS**

The paper will be mainly computational and will have five questions, all of which will be compulsory.

- Questions one will be for 35 marks and will focus on income tax on either domestic corporate enterprises or foreign investment enterprises
- Question two will be for 20 marks and will focus on income tax for individuals
- Question three will be for 20 marks, and will focus on indirect taxes (value added tax, business tax, consumption tax and customs duty)
- Questions four and five will be on any area of the syllabus and will be for 15 and 10 marks respectively.

Indirect taxes may be examined in questions other than Question 3, as part of a business scenario for a maximum of 10 further marks.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

# Study Guide

## A THE PRC TAX SYSTEM

### 1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.<sup>[1]</sup>

### 2. Different types of taxes

- a) Identify the different types of taxes.<sup>[1]</sup>
- b) Explain the difference between direct and indirect taxation.<sup>[2]</sup>

### 3. The structure of the PRC tax system

- a) Describe the overall structure of the PRC national and local tax system.<sup>[2]</sup>
- b) Describe the duties and powers of the different levels of tax bureau.<sup>[2]</sup>
- c) State the different sources of tax law and regulation.<sup>[1]</sup>
- d) Appreciate the interaction of the PRC tax system with that of other tax jurisdictions.<sup>[2]</sup>

#### Excluded topics

- *The Offshore Oil Taxation Bureau*
- *Local variations in the enforcement of taxes in different parts of China*
- *Social security levies/contributions*

### 4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.<sup>[1]</sup>
- b) Explain the need for an ethical and professional approach.<sup>[2]</sup>

## B INCOME TAX ON INDIVIDUALS

### 1. The scope of individual income tax (IIT)

- a) Describe the scope of individual income tax (IIT).<sup>[2]</sup>
- b) Explain how the residence of an individual is determined.<sup>[2]</sup>
- c) Understand the special provisions relating to expatriates and temporary residents.<sup>[2]</sup>
- d) Explain the tax treatment of income from both China and overseas of tax residents.<sup>[2]</sup>
- e) Explain the tax treatment of income from China for tax non-residents.<sup>[2]</sup>

#### Excluded topics

- *Overseas (no-PRC source) income of tax non-residents.*

### 2. Income from employment

- a) Recognise the income that falls within the category employment income.<sup>[2]</sup>
- b) Distinguish between the activities that are treated as employment income and those that constitute individual service income.<sup>[2]</sup>
- c) Recognise the allowable deductions.<sup>[2]</sup>
- d) Distinguish between the benefits in kind which are taxable and those that are non-taxable.<sup>[2]</sup>
- e) Understand the treatment of annual bonuses and long service awards.<sup>[2]</sup>
- f) Recognise when the time apportionment basis will apply in the case of expatriate senior executives.<sup>[2]</sup>

#### Excluded topics

- *Foreign experts working for aid projects*
- *Share and share option incentive schemes for employees*

- *Payments on the termination of employment, and other lump sum compensation payments received by employees.*

### **3. Income from privately-owned business operations**

- Recognise the income that falls within the category derived from production and business operations by private-owned household enterprises.<sup>[2]</sup>
- Recognise the costs and expenses that are and are not deductible under the actual basis of computation.<sup>[2]</sup>
- Explain the treatment of losses.<sup>[2]</sup>
- Explain the treatment of a partnership.<sup>[2]</sup>
- Explain the circumstances in which the deemed taxable income method of computation will apply.<sup>[2]</sup>

#### **Excluded topics**

- *Agricultural operations involving planting, breeding, husbandry and fishery.*

### **4. Income from the provision of contracting and other services**

- Recognise the income that falls within the category derived from contracting, sub-contracting, leasing or sub-leasing and apply the relevant deductions.<sup>[2]</sup>
- Recognise the income that falls within the category derived from the provision of individual (personal) services and apply the relevant deductions.<sup>[2]</sup>
- Recognise the income that falls within the category derived from the publishing or distribution of works (authorship, etc.) and apply the relevant deductions.<sup>[2]</sup>

### **5. Property, investment and other sources of income**

- Recognise the income that falls within the category of royalties and apply the relevant deductions.<sup>[2]</sup>
- Recognise the income that falls within the category of interest, dividends and bonuses.<sup>[2]</sup>
- Recognise the income that falls within the category of rental income derived from the leasing of moveable and immovable property and apply the relevant deductions.<sup>[2]</sup>
- Recognise the income that falls within the category of income from the sale of moveable and immovable property and apply the relevant deductions.<sup>[2]</sup>
- Recognise the income that falls within the category contingency (occasional) income.<sup>[2]</sup>

#### **Excluded topics**

- *Exemptions specific to foreign individuals receiving dividend or bonus income.*

### **6. The comprehensive computation of taxable income and tax liabilities**

- Distinguish income taxed at progressive rates and income taxed at the prescribed fixed rate.<sup>[2]</sup>
- Compute the monthly tax payable by employees, including in situations involving annual bonuses, dual employment, time apportionment and working periods of less than a month.<sup>[2]</sup>
- Compute the annual tax payable by an individual business operator, including in situations where a fixed monthly 'salary' is paid.<sup>[2]</sup>
- Compute the annual tax payable in respect of contracting and leasing income.<sup>[2]</sup>
- Compute the fixed rate tax payable on receipts of other categories of income.<sup>[2]</sup>



- f) Compute the tax credit available in respect of foreign tax paid on foreign income.<sup>[2]</sup>

#### **Excluded topics**

- *Special reductions of tax allowed for taxpayers who are disabled, aged and unsupported etc.*

### **7. The use of exemptions and reliefs in deferring and minimising tax liabilities**

- a) Recognise the income that is exempt from individual income tax.<sup>[2]</sup>
- b) Explain the exemption available on the sale of an individual's family residence.<sup>[2]</sup>
- c) Explain and compute the deduction available for charitable donations made by individuals.<sup>[2]</sup>
- d) Identify, compute and apply the right deduction/relief in given circumstances.<sup>[2]</sup>

## **C. INCOME TAX ON ENTERPRISES**

### **1. The scope of enterprise income tax (EIT)**

- a) Describe the scope of enterprise income tax (EIT) and the basis of assessment.<sup>[2]</sup>
- b) Define the terms 'place of registration' and 'place of management'

#### **Excluded topics**

- *Liquidation income*

### **2. The profits chargeable to EIT**

- a) Recognise gross income for the purposes of EIT, including the treatment of deemed sales.<sup>[2]</sup>
- b) Recognise the costs and expenses that are deductible and non-deductible in computing taxable income.<sup>[2]</sup>
- c) Understand how relief for pre-commencement expenses is given.<sup>[2]</sup>
- d) Capital expenditure

- i) Distinguish between depreciable and non-depreciable tangible fixed assets <sup>[2]</sup>
- ii) Explain how the original value of tangible fixed assets is determined <sup>[2]</sup>
- iii) Compute depreciation allowances for tangible fixed assets using the straight line method <sup>[2]</sup>
- iv) Explain how the original value of intangible assets is determined <sup>[2]</sup>
- v) Compute amortisation allowances for intangible assets <sup>[2]</sup>

- e) Explain how relief for losses can be obtained in the current year and by carry forward.<sup>[2]</sup>

- f) Transactions with associated parties:

- i) Explain the 'arms length' principle <sup>[2]</sup>
- ii) Recognise when a transfer pricing adjustment should apply in relation to the sale/purchase of goods and services and compute relevant amounts <sup>[2]</sup>
- iii) Recognise when a restriction on loan interest payable should apply and compute relevant amounts <sup>[2]</sup>

#### **Excluded topics**

- *The treatment of value appreciation resulting from asset revaluations*
- *The carry forward of losses after the division or merger of an enterprise and on a change of shareholding*
- *The carry forward of losses when returns are filed on a consolidated basis.*

### **3. The comprehensive computation of taxable income and tax liability**

- a) Prepare a computation of taxable income from various sources and compute the tax payable.<sup>[2]</sup>
- b) Explain and compute the deductions available for donations for public welfare or relief and for cultural purposes.<sup>[2]</sup>
- c) Compute the tax credit available for foreign tax paid on foreign income.<sup>[2]</sup>

#### 4. Tax incentives

- a) Understand and apply the tax incentives which are targeted at enterprises engaged in certain industries (e.g.. agricultural project, cultivation of flower, infrastructure projects, environmental protection, high/new technology enterprise, venture capital and diversified utilization of energy).
- b) Understand and apply the “super-deductions” for research and development expenses (including depreciation of machinery, salaries and wages, etc.) incurred in developing new technology, products and technologies and salaries expenses.
- c) Understand and apply the tax incentives to the purchase of equipment specifically for the purpose of protecting the environment, achieving energy or water saving.
- d) Understand and apply the transitional arrangement for prior tax incentives.

#### 5. The use of exemptions and reliefs in deferring and minimising tax liabilities

The use of exemptions and reliefs is implicit within all of the above sections 1 to 4 of part C of the syllabus concerning enterprise income tax.

#### D. LAND APPRECIATION TAX

##### 1. The scope of land appreciation tax (LAT)

- a) Describe the scope of land appreciation tax (LAT).<sup>[2]</sup>

##### 2. The computation of LAT liabilities

- a) Explain how the transaction price is determined.<sup>[2]</sup>
- b) Recognise the costs and expenses that are generally deductible.<sup>[2]</sup>
- c) Recognise the additional deduction available to real estate developers.<sup>[2]</sup>
- d) Compute the value added amount and the tax payable.<sup>[2]</sup>

#### Excluded topics

- *Land and property sales where the contract was signed before 1 January 1994.*

#### 3. The use of exemptions and reliefs in deferring and minimising tax liabilities

- a) Explain the exemption available for the construction of ordinary standard residences.<sup>[2]</sup>
- b) Explain the exemption available for the assignment or exchange of an individual’s own residential dwelling house.<sup>[2]</sup>
- c) Identify the circumstances in which a temporary exemption from tax will apply.<sup>[2]</sup>

#### E. VALUE ADDED TAX

##### 1. The scope of value added tax (VAT)

- a) Describe the scope of value added tax (VAT).<sup>[2]</sup>
- b) Recognise who is a VAT payer.<sup>[2]</sup>
- c) Distinguish between general taxpayers and small scale taxpayers.<sup>[2]</sup>
- d) List the principal reduced rate, zero rate and exempt supplies.<sup>[1]</sup>

#### Excluded topics

- *Specific rules and exemptions applicable to special industries e.g. agriculture, electricity and gold re-cycling.*

##### 2. The computation of VAT liabilities

- a) Understand how the time of supply of goods and services is determined.<sup>[2]</sup>
- b) Understand how the time at which input credits may be applied is determined.<sup>[2]</sup>
- c) Explain how ‘sales value’ is determined.<sup>[2]</sup>
- d) Recognise the circumstances in which input VAT is not deductible.<sup>[2]</sup>

- e) Compute the VAT liability of a general taxpayer using the input–output method.<sup>[2]</sup>
- f) Compute the VAT liability of a small scale taxpayer using the simplified formula.<sup>[1]</sup>

**Excluded topics**

- *Mixed sales activities*
- *Tax preferential policy for special industries e.g. the software industry.*

**3. Imports and exports**

- a) Understand how the composite tax value and VAT payable on imported goods is determined.<sup>[2]</sup>
- b) Distinguish between exported goods eligible for exemption and refund and those eligible for exemption but no refund.<sup>[2]</sup>
- c) Compute the refund applicable to an export under both the ‘exemption, credit and refund’ and ‘tax first, refund second’ methods.<sup>[2]</sup>
- d) Describe the procedure for obtaining a tax refund.<sup>[1]</sup>

**Excluded topics**

- *Tax preferential policy for machinery imported as part of a capital contribution to a foreign invested enterprise*
- *Treatment of goods held in export monitored and controlled warehouse/bonded zones.*

**4 The administration of VAT**

- a) Describe the registration procedure applicable to a general taxpayer.<sup>[1]</sup>
- b) Explain how VAT is accounted for and administered.<sup>[2]</sup>
- c) Explain the requirements for the issuing of a VAT invoice.<sup>[1]</sup>
- d) State the deadlines for the filing of VAT returns and the payment of VAT.<sup>[2]</sup>

- e) Explain the circumstances in which penalties and/or interest will be charged in respect of failure to make returns and/or late payment of VAT.<sup>[2]</sup>

**F. TURNOVER TAXES**

**1. The scope of business tax (BT)**

- a) Describe the scope of business tax (BT).<sup>[2]</sup>
- b) Recognise who is liable to pay business tax.<sup>[2]</sup>
- c) Distinguish between taxable and exempt activities.<sup>[2]</sup>
- d) Understand the interrelationship between business tax and VAT.<sup>[2]</sup>

**Excluded topics**

- *Exemptions applicable to special industries e.g. agriculture, education, medicine and postal services.*

**2. The computation of BT liabilities.**

- a) Explain how business turnover is determined.<sup>[2]</sup>
- b) Explain when deemed turnover will be used and the methods by which it is calculated.<sup>[1]</sup>
- c) Compute the tax payable at appropriate rates, including in situations where an enterprise carries on several different business activities.<sup>[2]</sup>

**Excluded topics**

- *The exemption incentive for technology transfer*
- *Specific provisions relating to the calculation of turnover for enterprises engaged in construction, finance leasing, insurance, money lending, tourism, transportation and cultural activities.*

### 3. The scope of consumption tax (CT)

- a) Describe the scope of consumption tax (CT).<sup>[2]</sup>
- b) Recognise who is liable to pay consumption tax.<sup>[2]</sup>
- c) Distinguish between taxable and exempt activities and goods.<sup>[2]</sup>

### 4. The computation of CT liabilities.

- a) Explain how the taxable sales value is determined.<sup>[2]</sup>
- b) Compute the tax payable at appropriate rates, according to the ad valorem, fixed rate and compound rate methods.<sup>[2]</sup>
- c) Explain how CT is accounted for in the case of sales of goods subject to different rates of tax.<sup>[2]</sup>
- d) Understand the treatment of goods used by the manufacturer and imported goods.<sup>[2]</sup>

#### Excluded topics

- *Tax refund on exports.*

### 5. The administration of turnover taxes

- a) Explain how BT and CT are accounted for and administered.<sup>[2]</sup>
- b) State the deadlines for the filing of returns and the payment of tax, and the consequences of late payment.<sup>[2]</sup>

#### Excluded topics

- *Location of payment of BT*
- *Consolidated reporting for multiple establishments/ head office and branches for CT*
- *Procedures for application for exemption (BT and CT).*

## G. CUSTOMS DUTY

### 1. The scope of customs duty

- a) Describe the scope of customs duty.<sup>[2]</sup>
- b) Understand the treatment of goods temporarily imported into and used in China.<sup>[2]</sup>

#### Excluded topics

- *Details of nomenclature and statutory exemptions*
- *Treatment of luggage and postal items.*

### 2. The computation of customs duty

- a) Explain how the dutiable value is determined.<sup>[2]</sup>
- b) Compute the duty payable, including for goods within the custody period.<sup>[2]</sup>

#### Excluded topics

- *Treatment of goods temporarily exported from China for repair overseas or for sub-contracting purposes*
- *Tax preferential policy for special locations e.g. bonded zones, economic development zones and export processing zones*
- *Tax preferential policy for imported machinery as part of a capital contribution to a foreign invested enterprise.*

### 3. The administration of customs duty

- a) Explain how customs duties are accounted for and administered.<sup>[2]</sup>
- b) State by when customs duties must be paid and the consequences of late payment.<sup>[2]</sup>

## H. THE OBLIGATIONS OF TAXPAYERS AND/OR THEIR AGENTS

### 1. The systems of assessment and the making of returns

- a) Describe the tax registration procedure for taxpayers engaging in production or business operations, withholding agents and foreign individuals.<sup>[1]</sup>

- b) Understand the system by which taxes are reported and paid on a withholding basis in respect of individuals (including non-residents) and foreign enterprises.<sup>[2]</sup>
- c) Understand the system by which an individual taxpayer must report and pay individual income tax personally.<sup>[2]</sup>
- d) Understand the system by which corporate enterprises report and pay enterprise income tax.<sup>[2]</sup>
- e) Understand the system by which liability to land appreciation tax is reported and the tax paid.<sup>[2]</sup>

#### **Excluded topics**

- *Consolidated reporting for multiple establishments/head office and branches*

#### **2. The time limits for the submission of information, claims and payment of tax**

- a) Recognise the time limits that apply for the making of returns and payment of tax by withholding agents.<sup>[2]</sup>
- b) Recognise the time limits that apply for the making of returns and payment of individual income tax by individual taxpayers.<sup>[2]</sup>
- c) Recognise the time limits that apply for the making of returns and payment of enterprise income tax by corporate enterprises, including the making of prepayment instalments.<sup>[2]</sup>
- d) Recognise the time limits that apply for the making of returns and payment of land appreciation tax, including advance payments on presales.<sup>[2]</sup>
- e) Explain the circumstances in which the deadline for the submission of returns and/or payment of tax may be deferred.<sup>[1]</sup>
- f) Explain the obligations of taxpayers engaged in production and business operations to keep books of account.<sup>[1]</sup>

#### **3. The procedures relating to enquiries, disputes and appeals**

- a) Explain the investigating powers of the tax authorities.<sup>[2]</sup>
- b) Explain the procedures for dealing with disputes and appeals.<sup>[1]</sup>
- c) Explain the procedure by which a tax refund can be obtained.<sup>[1]</sup>

#### **4. Penalties for non-compliance**

- a) State the circumstances in which a penalty or interest can be imposed.<sup>[2]</sup>
- b) Calculate the surcharge and other monetary penalties (fines) payable on overdue tax.<sup>[2]</sup>

#### **READING LIST**

All books relate to the 2008 Editions to reflect the new legislation.

“Taxation Law”, edited by the Chinese Institute of CPAs,

“Taxation Law”, edited by the Chinese Institute of tax agents

“China Taxation”, written by CHUNG Chun Kit

Additional reading:

China Master Tax Guide, CCH Asia Pte Limited

The study of relevant articles in the ACCA's *student accountant* magazine is also recommended.

## **SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE**

### **December 2007**

A4. Excluded topic deleted

C4 a) Amended

C4 b) Amended

C4 c) Amended

F4. One excluded topic deleted

H1.e) Deleted

H2.d) Deleted

Reading list updated