

LEHMAN, LEE & XU

雷曼律师事务所



PRESS RELEASE

“CHINA REDUCES TAX BURDEN ON FIRMS”

Beijing, China – Tuesday 11 November, 2008 –

Xinhua reported that the government has announced that the value-added tax (VAT) for all industries will be cut from January 1 to reduce the tax burden on companies by more than 120 billion yuan (\$17.57 billion) next year. The State Council, in an executive meeting, passed revised regulations on VAT, consumption tax and business tax as part of a 4 trillion yuan stimulus package. The revision is aimed at a shift from the existing production-based to a consumption-based VAT regime, which would enable companies to get tax deductions on spending on fixed assets, the meeting said. The State Council has also eliminated policies that exempted imported equipment from VAT, stating that foreign-funded companies will no longer enjoy tax rebates on domestic equipment purchases as they have previously. This measure will put foreign funded enterprises on an equal footing with local Chinese companies. The VAT rate for small businesses was reduced to a universal 3 percent from 6 percent for industrial firms and to 4 percent for commercial companies. The State Council said such measures will help encourage technological upgrading at Chinese companies, boost domestic demand, and push for industrial restructuring, said the meeting.

Scott Garner of Lehman, Lee & Xu commented that “these measures are essentially positive. While our foreign clients will no longer have VAT exemptions on imported equipment, they will enjoy lower VAT for equipment purchased in China. For clients who require imported machinery and equipment, they will see their VAT go up. However, many of our clients use domestically manufactured production equipment. For these clients, these new measures will be a welcome relief and should encourage them to upgrade their facilities to take advantage of the reduced VAT rates.”

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm is recognized as a leading expert in corporate law and an active member of the Shanghai community.

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