

Provisional Regulations on Consumption Tax of the People's Republic of China

(Promulgated on Order [1993] No. 135 of the State Council on Dec. 13, 1993)

Article 1 All institutions and individuals producing consumer goods, or processing consumer goods on consignments or importing consumer goods (hereinafter referred to as "taxable consumer goods") shall be liable to consumption tax (hereinafter referred to as "taxpayers") and shall pay consumption tax in accordance with these Regulations.

Article 2 Taxable items and rates (tax amount) of consumption tax shall be enforced in accordance with the "Table of Taxable Items and Rates (Tax Amounts) of Consumption Tax" attached to these Regulations, and readjustments thereof shall be determined by the State Council.

Article 3 A taxpayer simultaneously dealing in consumer goods taxable at different rates shall make separate assessments of the volume and quantity of the sales of different consumer goods taxable at different rates. If no such separate assessments are made or if different taxable consumer goods taxable at different tax rates are marketed in packages, the highest rate shall apply.

Article 4 A taxpayer shall pay tax while marketing the taxable consumer goods he makes. A taxpayer shall pay no consumption tax on the taxable consumer goods he produces for use in continued production of taxable consumer goods and shall pay consumption tax on taxable consumer goods to be used for other uses and pay tax at the time of delivery thereof.

Consumption tax on taxable consumer goods processed on consignment shall be withheld from the consigner and paid to the state by the consignee at the time of delivery. The consumption tax already paid on the processed consumer goods on consignment to be used in continued production shall be deducted in accordance with relevant regulations.

Consumption tax on imported taxable consumer goods shall be paid at the time of customs declaration.

Article 5 Consumption tax shall be assessed under the rate on value method or the amount on volume method. The formula for assessing the tax amount is:

The amount of tax under the rate on value method = volumes of sales X tax rate

The amount of tax under the amount on volume method = volume of sales X unit tax amount

Consumption tax shall be levied on taxable consumer goods sold by a taxpayer in a foreign currency on the basis of the volume of the sales converted into RMB at the official exchange rate.

Article 6 The volume of sales prescribed in Article 5 of these Regulations includes all of the sales proceeds and other charges the taxpayer receives from the buyer of the taxable consumer goods.

Article 7 A taxpayer shall pay consumption tax on the taxable consumer goods it produces for its own use which are taxable in accordance with the provisions of Clause 1, Article 4 of these Regulations, the tax to be computed on the basis of the price of the consumer goods of the same kind the taxpayer produces for sale, or, if there is no marketing price thereof, to be computed on the basis of taxable composite price. The formula of computing taxable price is:

The taxable composite price = (cost + profit) ÷ (1 - consumption tax rate)

Article 8 Consumption tax on the taxable consumer goods processed on consignment shall be computed on the basis of marketing price of the consumer goods of the same category of the consignee, and if there is no such marketing price, to be computed on the basis of the composition of the marketing price thereof. The formula for the composite taxable price is:

$$\text{Composite price for taxable goods} = (\text{Costs of materials} + \text{processing fees}) \div (1 - \text{rate of consumption tax})$$

Article 9 Consumption tax on imported consumer goods shall be based on the composition of the taxable price if it is using the method of ad valorem tax. The formula of determining composition of taxable price is:

$$\text{The composition of taxable price} = (\text{the price for customs duties clearance} + \text{customs duty}) \div (1 - \text{consumption tax rate})$$

Article 10 When the price of the taxpayer's taxable consumer goods for computation of tax is conspicuously low without a proper reason, it shall be determined by the tax authorities.

Article 11 The taxable consumer goods of a taxpayer for export are tax free, unless it is otherwise stipulated by the State Council. The State Administration of Taxation shall formulate provisions for tax exemption for export consumer goods.

Article 12 Consumption tax shall be collected by taxation institutions and that on imported consumer goods shall be collected by the customs house on behalf thereof.

Consumption tax on the consumer goods carried or mailed into China shall be collected together with customs duties. The concrete procedure shall be formulated by the Tariff Policy Committee of the State Council together with relevant departments.

Article 13 A taxpayer shall file tax returns on the taxable consumer goods for sale and the taxable consumer goods it produces for its own consumption to the tax authorities of tax jurisdiction thereof, unless it is otherwise stipulated by the State.

Consumption tax on consumer goods processed on consignment shall be withheld and forwarded by the consignee to the local tax authorities.

Consumption tax on imported consumer goods shall be withheld and paid by the importer or agent to the customs house where to import declaration is declared.

Article 14 The time limit to paying consumption tax shall be one day, three days, five days, ten days, 15 days or one month. The specific term for a taxpayer shall be determined by the tax authorities on the basis of the taxable volume of the goods of the taxpayer, and if payment cannot be made in the prescribed time limit, tax may be paid by each transaction.

For a term of one month, the taxpayer shall file tax returns within ten days on the expiration of the term; and for a term of one day, three days, five days, ten days or 15 days, the taxpayer shall pay an advance within five days on the expiration of the term and file a tax return and clear the payment within ten days beginning on the first day of the succeeding month.

Article 15 A taxpayer shall pay consumption tax on its import consumer goods within seven days beginning from the next day of the completion of the tax return form required by the customs house.

Article 16 The collection and administration of consumption tax shall be implemented in accordance with the relevant provisions of the Law of the People's Republic of China on Tax Administration and these Regulations.

Article 17 Consumption tax on enterprises with foreign investment and foreign enterprises in China shall be administered in accordance with the resolutions of the Standing Committee of the National People's Congress.

Article 18 The Ministry of Finance shall be responsible for the interpretation of these Regulations and the formulation of the rules for the implementation thereof.

Article 19 These Regulations shall come into effect as of January 1, 1994. The relevant regulations for the collection of consumption tax promulgated by the State Council prior to the enforcement of these Regulations shall be abrogated therefrom.

Appendix:

Table of Items and Rates (Amount) of Consumption Tax

Taxable Items	Scope of taxation	Tax unit	Tax rate/amount
I. Tobacco			
1. Cigarettes, category A	Including imports		45%
2. cigarettes, category B			40%
3. Cigars			40%
4. Cut tobacco			30%
II. Alcoholic drinks, alcohol			
1. Distilled spirits from cereals			25%
2. Distilled spirits from potato			15%
3. Rice wine		Ton	240 yuan
4. Beer		Ton	220 yuan
5. Other alcoholic drinks			10%
6. Alcohol			5%
III. Cosmetics	Including cosmetic sets		30%
IV. Skin-care and hair-care products			17%
V. Jewelry and precious stones	Including all kinds of gold, silver, jewels and precious stone ornaments		10%

Taxable Items	Scope of taxation	Tax unit	Tax rate/amount
VI. Firecrackers and fireworks			15%
VII. Gasoline		Liter	0.2 yuan
VIII. Diesel oil		Liter	0.1 yuan
IX. Motor vehicle tires			10%
X. Motorcycles			10%
XI. Motor cars			
1. Cars with cylinder capacity of 2200ml or more			8%
Cars with cylinder capacity of 1000 - 2200ml			5%
Cars with cylinder capacity of less than 1000ml			3%
2. Jeeps (4-wheel drive)			
Those with cylinder capacity of 2400ml or more			5%
Those with cylinder capacity of less than 2400ml			3%
3. Minibus and vans	Of less than 22 seats		
With cylinder capacity of 2000ml or more			5%
With cylinder capacity of less than 2000ml			3%