

Think Ahead

**ACCA**

June and  
December  
2018

# **Taxation – China (TX- CHN) (F6)**

Syllabus and study guide

## Guide to structure of the syllabus and study guide

### Overall aim of the syllabus

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

### Relational diagram linking Taxation – China (TX-CHN) (F6) with other ACCA exams

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

### Main capabilities

The aim of the syllabus 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, education and content providers 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).

## 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 Applied Knowledge, the Applied Skills and the Strategic Professional exams 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 Applied Knowledge, level 2 equates to Applied Skills and level 3 to Strategic Professional, some lower level skills can continue to be assessed as the student progresses through each 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 and Education Recognition

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

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.

## Guide to ACCA Examination Structure

The structure of examinations varies within and between levels.

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

The Applied Knowledge exams are assessed by equivalent two-hour computer based and paper based examinations.

The *Corporate and Business Law* exam is a two-hour computer based objective test examination also available as a paper based version.

The other Applied Skills examinations contain a mix of objective and longer type questions with a duration of three hours for 100 marks; these questions directly contribute towards the candidate result. These exams are available in computer-based and paper-based formats. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

### *Computer-based exams*

For the Applied Skills computer-based exams candidates will be delivered an extra 10 marks of objective test content (either five single OT questions or five OT questions based around a single scenario), for which candidates are given an extra 20 minutes. These questions are included to ensure fairness, reliability and security of exams. These questions do not directly contribute towards the candidate's score. Candidates will not be able to differentiate between the questions that contribute to the result and those that do not. All questions have been subject to

ACCA's regulatory approved quality assurance process.

The total exam time is therefore 3 hours and 20 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

### *Paper-based exams*

For paper-based exams 15 minutes are added to the three hours to reflect the manual effort required as compared to computer-based exams. All paper-based and computer-based questions have been subject to the same quality assurance process. There will be time awarded by the invigilator to read the exam instructions.

*Strategic Business Leader* is ACCA's case study examination at the Strategic Professional level and is examined as a closed book exam of four hours, including reading, planning and reflection time which can be used flexibly within the examination. There is no pre-seen information and all exam related material, including case information and exhibits are available within the examination. Strategic Business leader is an exam based on one main business scenario which involves candidates completing several tasks within which additional material may be introduced. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 Professional Skills marks. The detail of the structure of this exam is described in the Strategic Business Leader syllabus and study guide document.

The other Strategic Professional exams are all of three hours and 15 minutes duration. All contain two Sections and all questions are compulsory. These exams all contain four professional marks. The detail of

the structure of each of these exams is described in the individual syllabus and study guide documents.

ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start writing in their answer books.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The pass mark for all ACCA Qualification examinations is 50%.

## Guide to ACCA Examination Assessment

This syllabus and study guide is valid for exams in June and December 2018. From September 2018, a new naming convention is being introduced for all of the exams in the ACCA Qualification, so from the December 2018 session, the name of the exam will be Taxation – China (TX-CHN). June 2018 is the first session of a new exam year for tax, when the exam name continues to be F6 Taxation (CHN). Since this name change takes place during the validity of this syllabus, both the old and new names have been used. For clarity, both names have been used for any exams referred to in this syllabus.

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 exams except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For most examinations (not tax), regulations **issued** or legislation **passed** on or before 1 September annually, will be examinable from 1 September of the following year to 31 August of the year after that. Please refer to the examinable documents for the exam (where relevant) for further information.

For the **CHN** variant, tax examinations in June and December will be based on legislation passed before the previous

30 September i.e. June and December 2018 papers will be based on legislation passed by 30 September 2017.

Regulations issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

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.

## Taxation - China (TX-CHN) (F6) syllabus and study guide

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.

### Aim

To develop knowledge and skills relating to the PRC tax system as applicable to individuals, resident and non-resident companies.

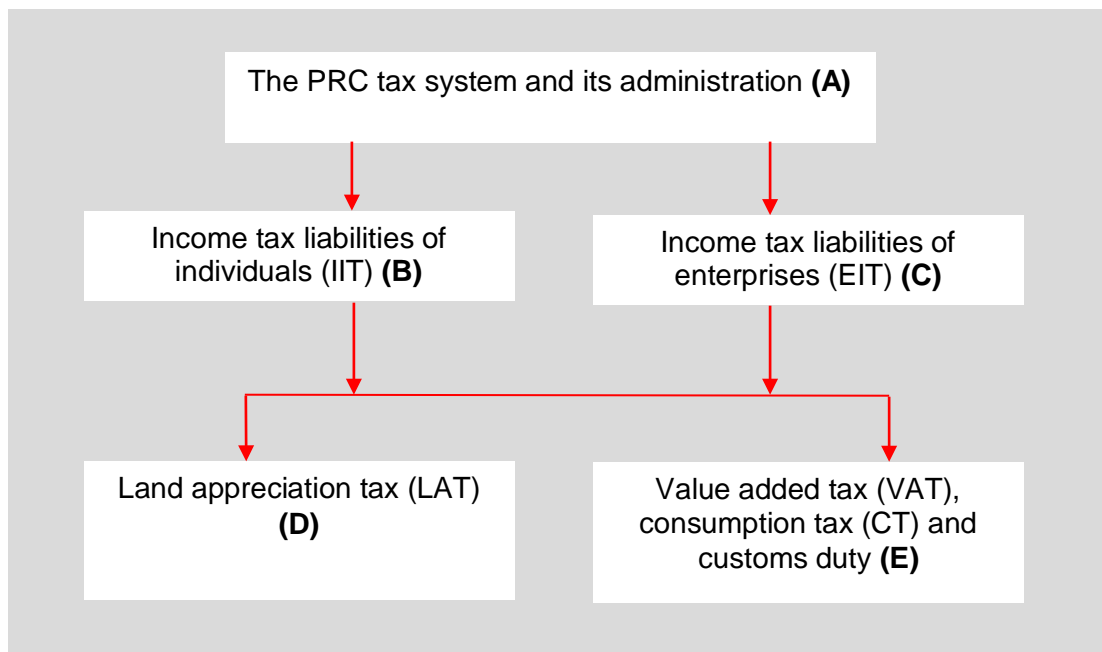


Taxation - China  
(TX-CHN) (F6)

## Main capabilities

On successful completion of this exam, candidates should be able to:

- A Explain the operation and scope of the PRC tax system and its administration
- B Explain and compute the income tax liabilities of individuals
- C Explain and compute the corporate income tax liabilities of 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, consumption tax and customs duty for individuals and enterprises



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.



## **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 and resident and non-resident 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 and its administration

1. The overall function and purpose of taxation in a modern economy
2. The structure of the PRC tax system
3. The systems for assessment of tax and the making of returns
4. The time limits for the submission of information, claims and payment of tax
5. The procedures relating to enquiries, disputes and appeals
6. Penalties for non-compliance

### 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 liability
7. The use of exemptions and reliefs in deferring and minimising income 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. Transactions with associated parties and special tax adjustments
6. 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 Indirect taxes – Value added tax, consumption tax and customs duty

#### Value added tax

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

**Consumption tax**

5. The scope of consumption tax (CT)
6. The computation of CT liabilities
7. The administration of CT

**Customs duty**

8. The scope of customs duty
9. The computation of customs duty
10. The administration of customs duty

## **Approach to examining the syllabus**

The syllabus is assessed by a three-hour 15 minutes paper-based examination.

The paper will be predominantly computational and all questions are compulsory.

Section A of the exam comprises 15 multiple choice questions of 2 marks each.

Section B of the exam comprises four 10 mark questions and two 15 mark questions.

The two 15 mark questions will focus on individual income tax (syllabus area B) and enterprise income tax (syllabus area C).

The section A questions and the other questions in section B can cover any areas of the syllabus.

## Study Guide

### A The PRC tax system and its administration

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

#### 2. 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*

#### 3. 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 non-resident 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 enterprises report and pay enterprise income tax.<sup>[2]</sup>
- e) Understand the system by which taxpayers report and pay VAT and consumption tax.<sup>[2]</sup>
- f) 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*
- #### 4 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 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>

## 5. 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>

## 6. Penalties for non-compliance

- a) State the circumstances in which a penalty or late payment surcharge can be imposed.<sup>[2]</sup>
- b) Calculate the surcharge and other monetary penalties (fines) payable on overdue tax.<sup>[2]</sup>
- c) Explain the difference between tax avoidance and tax evasion.<sup>[1]</sup>

### Excluded topics

- *Consequences of non-compliance involving fraudulent invoices / fraudulent VAT invoices, refusal to pay tax by violence, cheating of export tax refund, and refusing or obstructing tax audit*
- *The criminal consequences of non-compliance*

## 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) Explain the source of different types of income.<sup>[2]</sup>
- d) Understand the special provisions relating to non-residents.<sup>[2]</sup>

- e) Explain the tax treatment of income from both China and overseas of tax residents.<sup>[2]</sup>
- f) Explain the tax treatment of income from China for tax non-residents.<sup>[2]</sup>

### Excluded topics

- *Overseas (non-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 share option incentive schemes for employees of listed and unlisted companies.<sup>[2]</sup>

### Excluded topics

- *Foreign experts working for aid projects*
- *Payments on the termination of employment, other lump sum compensation payments, and annuities, received by employees*
- *Taxation under time-apportionment method for non-residents, including senior executives*
- *Calculation of tax for employers bearing the tax on annual bonus*
- *The criteria for special preferential treatment for stock options of unlisted companies*

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

- a) Recognise the income that falls within the category derived from production and business operations by private-owned household enterprises.<sup>[2]</sup>
- b) Recognise the costs and expenses that are and are not deductible under the actual basis of computation.<sup>[2]</sup>
- c) Explain the treatment of losses.<sup>[2]</sup>
- d) Explain the treatment of a partnership.<sup>[2]</sup>
- e) 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

- a) 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>
- b) Recognise the income that falls within the category derived from the provision of individual (personal) services and apply the relevant deductions.<sup>[2]</sup>
- c) 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

- a) Recognise the income that falls within the category of royalties and apply the relevant deductions.<sup>[2]</sup>
- b) Recognise the income that falls within the category of interest, dividends and bonuses.<sup>[2]</sup>

- c) 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>
- d) 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>
- e) 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

- a) Distinguish income taxed at progressive rates and income taxed at the prescribed fixed rate.<sup>[2]</sup>
- b) Compute the monthly tax payable by employees, including in situations involving tax borne by employer, annual bonuses, dual employment, time apportionment and working periods of less than a month.<sup>[2]</sup>
- c) Compute the annual tax payable by an individual business operator, including in situations where a fixed monthly 'salary' is paid.<sup>[2]</sup>
- d) Compute the annual tax payable in respect of contracting and leasing income.<sup>[2]</sup>
- e) 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 and compute the deduction available for charitable donations made by individuals.<sup>[2]</sup>
- c) Identify, compute and apply the right deduction/relief in given circumstances.<sup>[2]</sup>

### Excluded topics

- *The exemption available on the sale of an individual's family residence*

## 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 for resident and non-resident enterprises.<sup>[2]</sup>
- b) Explain how the residence of an enterprise is determined, and define the terms 'place of registration' and 'place of management' in determining residency of an enterprise.<sup>[1]</sup>
- c) Explain the source of different types of income.<sup>[2]</sup>
- d) Explain the tax treatment of income from both China and overseas of resident enterprises.<sup>[2]</sup>
- e) Explain the tax treatment of income from China for non-resident enterprises.<sup>[2]</sup>

### Excluded topics

- *Liquidation income*

### 2. The profits chargeable to EIT

- a) Explain the different income recognition methods for the purposes of EIT and the treatment of deemed sales for resident enterprises and non-resident enterprises (including representative offices).<sup>[2]</sup>

- b) Recognise the costs and expenses that are deductible and non-deductible in computing taxable income.<sup>[2]</sup>
- c) Understand for the treatments of asset losses and pre-commencement expenses.<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 and productive biological 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) Explain the tax consequences of doing business in China through a representative office or branch.<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 for head office and branches*
- *The tax treatment on corporate restructuring*

### 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>
- d) Explain and compute the tax liability of a non-resident enterprise for China-sourced income.<sup>[2]</sup>

#### Excluded topics

- *Calculation of tax for head office and branches of resident enterprises*

#### 4. Tax incentives

- a) Understand and apply the tax incentives which are targeted at enterprises engaged in certain industries (e.g. agricultural project, infrastructure projects, environmental protection, high/new technology enterprise, software, integrated circuits and diversified utilisation of energy).<sup>[2]</sup>
- 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.<sup>[2]</sup>
- 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.<sup>[2]</sup>
- d) Understand and apply the tax incentives for small-scale and low-profits enterprise.<sup>[2]</sup>
- e) Understand and apply the tax incentives for development of the Central and West Regions<sup>[2]</sup>

#### Excluded topics

- *Details of any tax incentives other than those stated in this study guide*

- *The criteria for application for the various tax incentives*
- *The transitional arrangement for prior tax incentives*

#### 5. Tax avoidance, transactions with associated parties and special tax adjustments

- a) Understand and apply the General Anti-Avoidance Rules (GAAR).<sup>[1]</sup>
- b) Explain the ‘arm’s length’ principle.<sup>[2]</sup>
- c) Explain the adjustment methods and 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>
- d) Recognise when a restriction on loan interest payable should apply and compute relevant amounts.<sup>[2]</sup>
- e) Explain the anti-avoidance rules on transactions without commercial purposes.<sup>[2]</sup>
- f) Consequences of special adjustments, including the statute of limitation on tax and interest.<sup>[2]</sup>

#### Excluded topics

- *Details and content of transfer pricing documentation*
- *Advanced pricing agreement and procedures*
- *Details of GAAR including definition of beneficial owner under tax treaties*
- *Details of reporting obligations on tax avoidance*

## 6. 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 on newly built property and used buildings.<sup>[2]</sup>

#### Excluded topics

- *Land and property sales where the contract was signed before 1 January 1994*
- *Settlement procedures for LAT*

### 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 Indirect taxes – value added tax, consumption tax and customs duty

### 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>
- e) Understand deemed sales, mixed sales and composite sales<sup>[1]</sup>

#### Excluded topics

- *Specific rules and exemptions applicable to the following special industries:*
  - *banking;*
  - *insurance;*
  - *agriculture;*
  - *gold re-cycling;*
  - *sale of self-developed software;*
  - *integrated circuit; and*
  - *solar energy*

### 2. The computation of VAT liabilities

- a) Understand how the time of supply of goods, services, intangible assets and immovable properties is determined.<sup>[2]</sup>
- b) Understand how the time at which input credits may be applied is determined, including the input credits from the acquisition of immovable properties.<sup>[2]</sup>
- c) Explain how 'sales value' is determined.<sup>[2]</sup>
- d) Recognise the circumstances in which input VAT is not creditable.<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 and the specific supplies using the simplified formula.<sup>[1]</sup>

### Excluded topics

- *The timing of VAT for pre-paid cards*
- *Special VAT calculation methods for the following industries:*
  - *banking,*
  - *insurance;*
  - *tourism;*
  - *leasing;*
  - *transportation;*
  - *construction; and*
  - *property developers*
- *The calculation of irrecoverable input VAT on immovable properties after changing the usage*
- *The VAT treatments of old projects (pre-1 May 2016) for construction, immovable properties, property developers and leasing of tangible assets and immovable properties*
- *Special industries which can pay VAT under the simplified method*
- *Provisional payment methods for construction and property developers*
- *Special policy on input VAT credit on agricultural products*

### 3. Imports and exports of goods and services

- a) Understand how the composite tax value and VAT payable on imported goods is determined.<sup>[2]</sup>
- b) Compute the refund applicable to an export under both the 'exemption, credit and refund' method for production enterprises and 'export exempt and refund' method for trading enterprises.<sup>[2]</sup>
- c) Understand the VAT exemption and zero-rating for export of services<sup>[2]</sup>

- d) Compute the VAT to be withheld for overseas suppliers on importation of services<sup>[2]</sup>

### Excluded topics

- *Treatment of goods held in export monitored and controlled warehouses/special customs zones*
- *Acquisition of goods by production enterprises for export*
- *The procedures and timing for obtaining a tax refund*
- *Goods subject to exemption instead of export refund policies*
- *Export VAT refund of tourists*
- *Detailed criteria and application procedures of VAT exemption and zero-rating of export of services*

### 4. The administration of VAT

- a) Describe the criteria for determining a general taxpayer and a small scale taxpayer for sale of goods and provision of services.<sup>[1]</sup>
- b) Explain how VAT is accounted for and administered.<sup>[2]</sup>
- c) State the deadlines for the filing of VAT returns and the payment of VAT.<sup>[2]</sup>
- d) 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>
- e) Explain how VAT is accounted for in the case of sales of goods or provision of services which are subject to different rates of tax.<sup>[2]</sup>
- f) Explain when a head office and its branches may be eligible to report on a consolidated basis and the consequences of this.<sup>[2]</sup>

**Excluded topics**

- *Details on issuing of VAT special invoices and general invoices*
- *Deadline for claiming input VAT after obtaining VAT special invoices and customs VAT payment certificates*

**5. 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>

**6. The computation of CT liabilities**

- a) Explain how the composite taxable 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 imported goods.<sup>[2]</sup>

**Excluded topics**

- *Tax refund on exports*
- *Tax treatment of subcontracting of goods*

**7. The administration of CT**

- a) Explain how CT is 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**

- *Consolidated reporting for multiple establishments/ head office and branches for CT*
- *Procedures for application for exemption (CT)*

**Customs duty****8. The scope of customs duty**

- a) Describe the scope of customs duty.<sup>[2]</sup>
- b) Understand the principles and functions of Customs Special Zones (e.g. Free Trade Zones) and the treatment of goods imported from overseas into or exported from China to Customs Special Zones.<sup>[2]</sup>

**Excluded topics**

- *Details of nomenclature and statutory exemptions*
- *Treatment of luggage and postal items.*
- *Details of processing trade*
- *The treatment of goods temporarily imported into and used in China*
- *The treatment of goods imported by natural persons*
- *Importation of goods under E-commerce*

**9. The computation of customs duty**

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

**Excluded topics**

- *Calculation of customs duty for materials imported under a processing trade and ultimately sold in China*

**10. 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>

## Reading list

China Distance Education Holdings Ltd., CDEL  
Website: <http://www.cdeledu.com>  
Study Text for F6 – China Taxation  
2018 edition

Recommended reading:

“Taxation Law”, edited by the Chinese Institute of CPAs, 2017 edition

“Taxation Law I” and “Taxation Law II”, edited by the Chinese Institute of tax agents,  
2017 edition

### 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 Taxation - China (TX-CHN) (F6)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

**Table 1 – Amendments**

	Section and subject area	Syllabus content
C4	Tax incentives	<ul style="list-style-type: none"> <li>Outcome a) amended such that tax incentives targeted at industries in relation to the cultivation of flowers are no longer examinable.</li> </ul>
C5	Tax avoidance, transactions with associated parties and special tax adjustments – <i>Excluded topics</i>	<p>Clarification of excluded topic:</p> <ul style="list-style-type: none"> <li><i>Details and content of transfer pricing documentation</i></li> </ul>
E2	The computation of VAT liabilities – <i>Excluded topics</i>	<p><i>Clarification of excluded topic:</i></p> <ul style="list-style-type: none"> <li><i>Special VAT calculation methods for the following industries:</i> <ul style="list-style-type: none"> <li><i>banking,</i></li> <li><i>insurance;</i></li> <li><i>tourism;</i></li> <li><i>leasing</i></li> <li><i>transportation</i></li> <li><i>construction; and</i></li> <li><i>property developers</i></li> </ul> </li> </ul> <p><i>New excluded topics added for clarity:</i></p> <ul style="list-style-type: none"> <li><i>Special industries which can pay VAT under the simplified method</i></li> <li><i>Provisional payment methods for construction and property developers</i></li> <li><i>Special policy on input VAT credit on agricultural products</i></li> </ul>

**Table 2 – Additions**

	<b>Section and subject area</b>	<b>Syllabus content</b>
C4	Tax incentives – <i>Excluded topics</i>	New excluded topic: <ul style="list-style-type: none"> <li>• <i>Details of any tax incentives other than those stated in this study guide</i></li> </ul>
E2	The computation of VAT liabilities – <i>Excluded topics</i>	New excluded topics: <ul style="list-style-type: none"> <li>• <i>Special industries which can pay VAT under the simplified method</i></li> <li>• <i>Provisional payment methods for construction and property developers</i></li> <li>• <i>Special policy on input VAT credit on agricultural products</i></li> </ul>

**Table 3 – Deletions**

	<b>Section and subject area</b>	<b>Syllabus content</b>
C4	Tax incentives – <i>Excluded topics</i>	Removal of excluded topic: <ul style="list-style-type: none"> <li>• <i>Tax incentives for venture capital</i></li> <li>• <i>Local tax incentives granted by local governments</i></li> </ul> <p>These topics are still excluded, but now fall within the more general exclusion as added above:</p> <ul style="list-style-type: none"> <li>• <i>Details of any tax incentives other than those stated in this study guide</i></li> </ul>