



ACCA

# Taxation – China (TX-CHN)

Syllabus and study guide

June 2023 – December 2023

Designed to help with planning study and to provide detailed information on what could be assessed in any examination session

Think Ahead

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## 1. 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 learning outcome. 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.

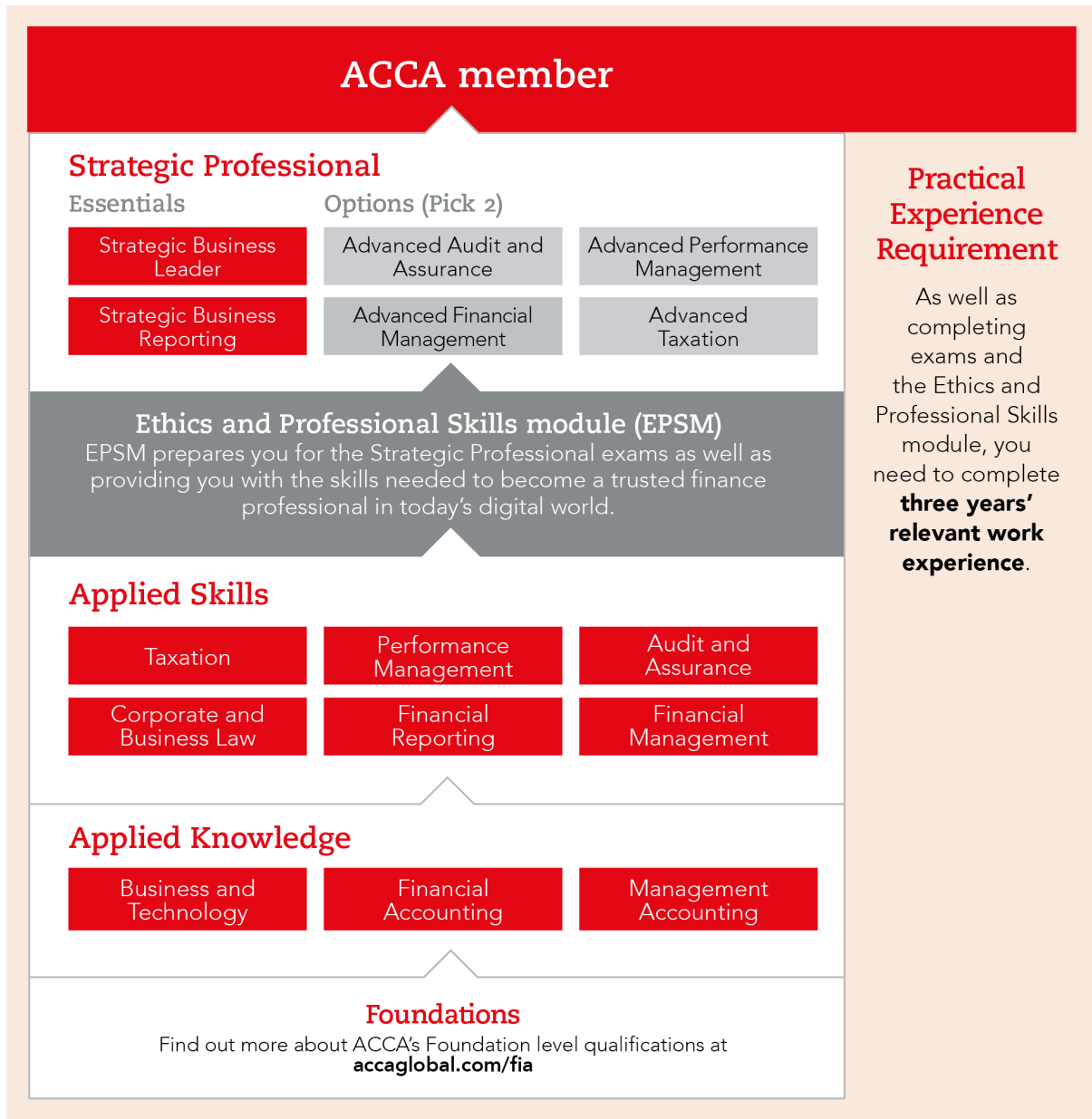
## 2. Learning hours and education recognition

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 qualification is recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, the ACCA qualification is currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus is organised into main subject area headings which are further broken down to provide greater detail on each area.

### 3. The structure of ACCA qualification



\*See accaglobal.com for details

## 4. Guide to ACCA examination structure and delivery mode

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

The structure and delivery mode of examinations varies.

### Applied Knowledge

The Applied Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. These are assessed by a two-hour computer based examination.

### Applied Skills

The Corporate and Business Law exam is a two-hour computer-based objective test examination for English and Global.

For the format and structure of the Corporate and Business Law or Taxation variant exams, refer to the 'Approach to examining the syllabus' section of the relevant syllabus and study guide.

The other Applied Skills examinations (PM, TX-UK, FR, AA, and FM) contain a mix of objective and longer type questions with a duration of three hours for 100 marks. These are assessed by a three-hour computer-based exam. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

The longer (constructed response) question types used in the Applied Skills exams (excluding Corporate and Business Law) require students to effectively mimic what they do in the workplace. Students will need to use a range of digital skills and demonstrate their ability to use spreadsheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These assessment methods allow ACCA to focus on testing students' technical and application skills, rather than, for example, their ability to perform simple calculations.

### Strategic Professional

#### Essentials:

Strategic Business Leader is ACCA's case study examination at Strategic Professional and from September 2023 is examined as a closed book exam of 3 hours and 15 minutes, including reading, planning and reflection time which can be used flexibly within the examination.

Pre-seen information for the Strategic Business Leader exam will be released two weeks before the exam sitting. The pre-seen information contains background and contextual details in order for students to familiarise themselves with the fictitious organisation that they will be examined on and the industry in which it operates.

The Strategic Business Leader exam will contain new information in the form of exhibits and students are required to complete several tasks. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 professional skills marks.

As this is a closed book exam, the pre-seen information is also available within the examination.

Strategic Business Reporting is a three-hour 15 minutes exam. It contains two sections and all questions are compulsory. This exam contains four professional marks.

#### Options:

The Strategic Professional Options are all three hours and 15 minutes computer-based exams. All contain two sections and all questions are compulsory.

All option exams contain a total of 80 technical marks and 20 professional skills marks.

The question types used at Strategic Professional require students to effectively mimic what they would do in the workplace.

These exams offer ACCA the opportunity to focus on the application of knowledge to scenarios, using a range of tools including word processor, spreadsheets and presentation slides - not only enabling

students to demonstrate their technical and professional skills but also their use of the technology available to today's accountants.

Time management

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 students may start producing their answer.

Students should ensure that all the information and exam requirements are properly read and understood.

## 5. Guide to ACCA examination assessment

ACCA reserves the right to examine anything contained within the study guide. 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 31 August 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 2023 exams will be based on legislation passed by 30 September 2022.

Regulations issued or legislation passed in accordance with the above dates will not be examinable if the **effective** date is in the future, unless explicitly stated otherwise in this syllabus and study guide or examinable documents.

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's 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.

## 6. Relational diagram linking Taxation – China (TX-CHN) with other exams

This diagram shows there are no links between this exam and other exams preceding or following it.



## 7. Approach to examining the syllabus

The syllabus is assessed by a three-hour computer-based examination.

The exam 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.

## 8. Introduction to the syllabus

The aim of the syllabus is to develop knowledge and skills relating to the PRC tax system as applicable to individuals, resident and non-resident companies.

The syllabus for Taxation – China (TX-CHN) 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.

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.



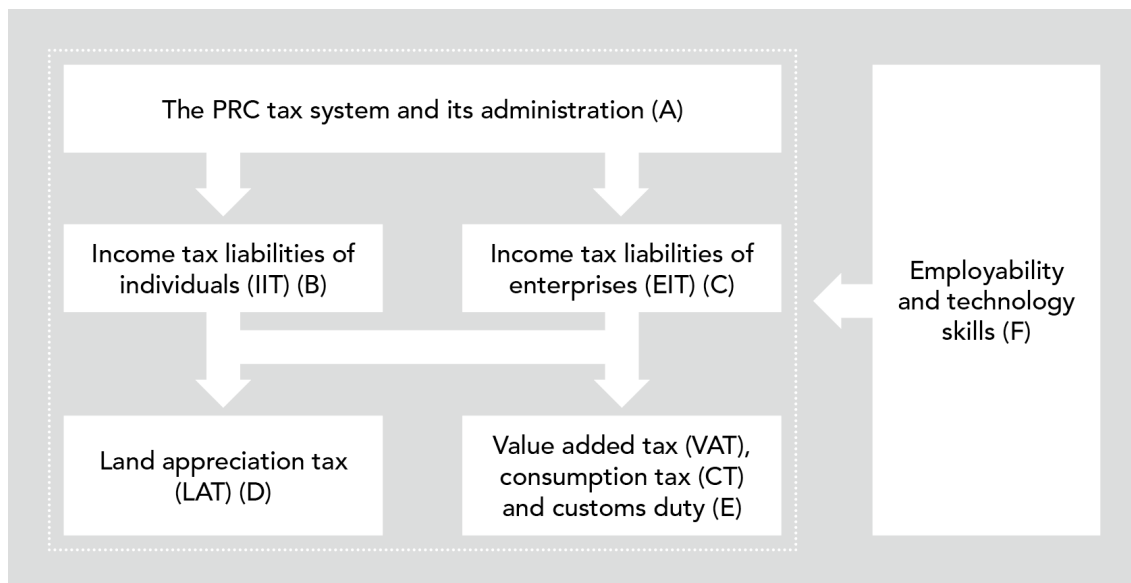
Section F of the syllabus contains outcomes relating to the demonstration of appropriate digital and employability skills in preparing for and taking the examination. This includes being able to interact with different question item types, manage information presented in digital format and being able to use the relevant functionality and technology to prepare and present response options in a professional manner. These skills are specifically developed by practicing and preparing for the exam, using the learning support content for computer-based exams available via the practice platform and the ACCA website and will need to be demonstrated during the live exam.

## 9. 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
- F Demonstrate employability and technology skills

### 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.

## 10. The 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. Comprehensive income including income from employment, income from the provision of services, royalty income and income from manuscripts
3. Income from business operations
4. Property, investment, rental, dividend, interest and contingency (occasional) income
5. The comprehensive computation of taxable income and tax liabilities
6. 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

## **F Employability and technology skills**

1. Use computer technology to efficiently access and manipulate relevant information.
2. Work on the relevant response options, using available functions and technology, as would be required in the workplace.
3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools.
4. Present data and information effectively using the appropriate tools.

## 11. Detailed 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 tax system.<sup>[2]</sup>
- b) State the different sources of tax law and regulation.<sup>[1]</sup>
- c) Appreciate the interaction of the PRC tax system with that of other tax jurisdictions.<sup>[2]</sup>
- d) Understand the anti-avoidance measures for individuals and business entities.<sup>[1]</sup>

#### Excluded topics

- *Local variations in the enforcement of taxes in different parts of China*
- *Social security levies/contributions*
- *Describe the duties and powers of the different levels of tax bureau*

#### 3. The systems for self-assessment and the making of returns

- a) Describe the tax registration procedure for taxpayers and withholding agents.<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>
- g) Understand the different types of transfer pricing documentation, including the requirements for preparation and submission of documentation and the consequences of non-compliance.<sup>[2]</sup>

#### Excluded topics

- *Consolidated reporting for multiple establishments/head office and branches*
- *The five-in-one business registration and tax registration processes for enterprises*
- *Golden Tax System and e-filing*

#### 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 and withholding agents.<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 (the provisional quarterly enterprise income tax filing).<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) State the amounts of penalties for non-compliance with transfer pricing rules.<sup>[2]</sup>
- d) 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 on non-compliances*

- *No penalty for first incidence of non-compliances*
- *The grading and social credit scoring system for enterprises*

## 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. Comprehensive income including income from employment, income from the provision of services, royalty income and income from manuscripts
- a) Recognise the income sources that fall within comprehensive income.<sup>[2]</sup>
  - b) Distinguish between the four categories of income which fall under comprehensive income (i.e. employment income, service income, royalty income and manuscript income).<sup>[2]</sup>
  - c) Recognise the allowable deductions including social security contributions and the seven types of specific additional allowable deductions (infants under 3-year old, childrens' education,



continued education, rental, mortgage interest, serious illness and elderly care) for resident taxpayers.<sup>[2]</sup>

- d) Understand the tax treatment of comprehensive income received by tax residents (worldwide income) and tax non-residents (China sourced income only).<sup>[2]</sup>
- e) Understand the tax treatment of annual bonuses received by tax residents and tax non-residents (China sourced income only).<sup>[2]</sup>
- f) Distinguish between the benefits in kind which are taxable and those that are non-taxable.<sup>[2]</sup>
- g) Understand the withholding of individual income tax (IIT) on the cumulative provisional withholding method on salaries and annual tax return filing by a tax resident individual.<sup>[2]</sup>
- h) Understand the annual tax return filing by a tax resident on comprehensive income with individual income tax withheld by the withholding agent.<sup>[2]</sup>

### Excluded topics

- *Payments on the termination of employment, other lump sum compensation payments, and annuities, received by employees*
- *Taxation under the time-apportionment method for non-residents, including senior executives*
- *Calculation of tax for withholding agent bearing the tax on comprehensive incomes*
- *The criteria for special preferential treatment for stock options of listed and unlisted companies*
- *The tax exemption on specific medical insurances for employees*
- *Overseas (non-PRC source) income of tax non-residents*

- *Understand the tax treatment of share option incentive schemes for employees of listed and unlisted companies*
- *The calculation of individual income tax withheld on service income, royalty income and manuscript income for tax residents*
- *The details and amounts of the seven types of specific additional allowance*
- *The eight tax exempt allowances for foreigners*
- *The tax incentives and calculation of IIT under tax treaty*

### 3. Income from business operations

- a) Recognise the income that falls within the category derived from business operations.<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

- *Local variations on assessment of individual income tax on business operations*
- *Local tax incentives (including exemption and rebates on individual income tax)*

### 4. Property, investment, rental, dividend, interest and contingency (occasional) income

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

- b) 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>
- c) 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>
- d) Recognise the income that falls within the category contingency (occasional) income.<sup>[2]</sup>

#### Excluded topics

- *Tax treatment of income received by a partnership engaged in venture capital investments*
- *Local variations in tax treatment of profit on disposal of equities and shares investment received by a partnership*

#### 5. 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 tax payable by a tax resident on comprehensive income and the tax to be withheld by the withholding agent on salary.<sup>[2]</sup>
- c) Compute the tax payable on comprehensive income by a tax non-resident and the tax to be withheld by the withholding agent.<sup>[2]</sup>
- d) Compute the annual tax payable by an individual business operator and partnership, including in situations where a fixed monthly 'salary' is paid.<sup>[2]</sup>
- e) Compute the fixed rate tax payable on receipts of other categories of income.<sup>[2]</sup>

#### Excluded topics

- *Special reductions of tax allowed for taxpayers who are disabled, aged and unsupported etc*
- *The mechanism of claiming tax deduction in relation to the seven specific additional deductible allowances.*
- *The calculation of foreign tax credit.*

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

- a) Recognise the income that is exempt from or not subject to 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>
- d) Tax reduction on sole proprietorship (the 50% reduction on the first RMB1 million income).<sup>[2]</sup>

#### Excluded topics

- *The exemption available on the sale of an individual's family residence.*
- *The temporary tax exemptions and reliefs on COVID-19.*

### 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, cultivation of flower, 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 accelerated depreciation to the purchase of fixed assets.<sup>[2]</sup>
- e) 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>
- 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

### Excluded topics

- *Advanced pricing agreement and procedures*
- *Details of GAAR including definition of beneficial owner under tax treaties*
- *Details of reporting obligations on tax avoidance*
- *Base Erosion and Profit Shifting (BEPS)*
- *Details of any tax incentives other than those stated in this study guide*
- *The criteria for application for the various tax incentives*
- *The criteria for small-scale and low profit enterprises*
- *The transitional arrangement for prior tax incentives*
- *The temporary tax exemptions and reliefs on COVID-19 and the carried forward impact in future (e.g. loss of 2020 and 2021 of certain industries can be carried forward for 8 years and postpone the payment of provisional tax)*

### 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>

### 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>

- 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>
- e) List the principal reduced rate, zero rate and exempt supplies.<sup>[1]</sup>
- f) Understand deemed sales, mixed sales and composite sales.<sup>[1]</sup>

### Excluded topics

#### 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

### 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) Understand the VAT exemption for small-scale taxpayers.<sup>[2]</sup>

- *Specific rules and exemptions applicable to the following special industries:*
  - *banking;*
  - *insurance;*
  - *agriculture;*
  - *gold re-cycling;*
  - *sale of self-developed software;*
  - *integrated circuit;*
  - *solar energy;*
  - *nursery; and*
  - *elderly*
- *Temporary tax treatments and reliefs on COVID-19 (e.g. exemption of VAT for small-scale taxpayers from 1 April 2022 to 31 December 2022).*

#### 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 and input credits on employees' transportation costs.<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>
- g) Understand and calculate the additional input credits for certain industries.<sup>[2]</sup>



enterprises and ‘export exempt and refund’ method for trading enterprises.<sup>[2]</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*
- *The list of industries which can have the additional input credits*
- *The refund of input VAT brought forward for certain industries and the incremental VAT brought forward from 1 April 2019*

### 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

- 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*
- *Export VAT treatment of e-commerce*
- *Detailed criteria and application procedures of VAT exemption and zero-rating of export of services*
- *Special VAT treatment of special zones, e.g. Hainan special zone*

### 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, including e-invoices*
- *Deadline for claiming input VAT after obtaining VAT special invoices and customs VAT payment certificates*

#### Consumption tax

##### 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 and exportation 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>

## **F Employability and technology skills**

- 1. Use computer technology to efficiently access and manipulate relevant information.**
- 2. Work on the relevant response options, using available functions and technology, as would be required in the workplace.**
- 3. Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools.**
- 4. Present data and information effectively using the appropriate tools.**

## 12. Summary of changes to Taxation – China (TX-CHN)

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 to syllabus and amendments to excluded topics**

	<b>Section and subject area</b>	<b>Syllabus content</b>
A3	The systems for self-assessment and the making of returns	<p>Amendments made to A3(a) for clarity as there are currently no specific requirements for foreign individuals on tax registration. A3(a) changed from:</p> <p>(a) Describe the tax registration procedure for taxpayers, withholding agents and foreign individuals.</p> <p>Changed to:</p> <p>(a) Describe the tax registration procedure for tax payers and withholding agents.</p>
A6	Penalties for non-compliance – <i>Excluded topics</i>	<p>Two new <i>Excluded topics</i> added:</p> <ul style="list-style-type: none"> <li>• <i>No penalty for first incidence of non-compliance.</i></li> <li>• <i>The grading and social credit scoring system for enterprises.</i></li> </ul>
B2	Comprehensive income including income from employment, income from the provision of services, royalty income and income from manuscripts	<p>Amendments made to B2(c) due to the additional deduction added from 1 January 2022 onwards. B2(c) changed from:</p> <p>(c) Recognise the allowable deductions including social security contributions and the six types of specific additional allowable deductions (childrens' education, continued education, rental, mortgage interest, serious illness and elderly care) for resident taxpayers.</p>

	Section and subject area	Syllabus content
		<p>Changed to:</p> <p>(c) Recognise the allowable deductions including social security contributions and the seven types of specific additional allowable deductions (infants under 3-year old, children’s education, continued education, rental, mortgage interest, serious illness and elderly care) for resident taxpayers.</p>
B2	Comprehensive income including income from employment, income from the provision of services, royalty income and income from manuscripts – <i>Excluded topics</i>	<p>An amendment made to <i>Excluded topics</i>, due to the introduction of the additional deduction. In the following sentence “six” was amended to “seven”:</p> <ul style="list-style-type: none"> <li>• <i>The details and amounts of the seven types of specific additional allowance.</i></li> </ul>
B3	Income from business operations – <i>Excluded topics</i>	<p>A new <i>Excluded topic</i> added:</p> <ul style="list-style-type: none"> <li>• <i>Local tax incentives (including exemption and rebates on individual income tax)</i></li> </ul>
B5	The comprehensive computation of taxable income and tax liabilities	<p>An amendment made to B5(d) to clarify that partnerships are included. B5(d) changed from:</p> <p>(d) Compute the annual tax payable by an individual business operator, including in situations where a fixed monthly ‘salary’ is paid.</p> <p>Changed to:</p> <p>(d) Compute the annual tax payable by an individual business operator and partnership, including in situations where a fixed monthly ‘salary’ is paid.</p>



	Section and subject area	Syllabus content
B5	The comprehensive computation of taxable income and tax liabilities – <i>Excluded topics</i>	<p>Amendment made to <i>Excluded topics</i>, due to the introduction of the additional deduction, and for clarity. In the following sentence “six” was amended to “seven”:</p> <ul style="list-style-type: none"> <li>• <i>The mechanism of claiming tax deduction in relation to the seven specific additional deductible allowances.</i></li> </ul> <p>In the following sentence “on comprehensive income” is deleted:</p> <ul style="list-style-type: none"> <li>• <i>The calculation of foreign tax credit.</i></li> </ul>
C4	Tax incentives – <i>Excluded topics</i>	<p>An amendment made to <i>Excluded topics</i> for clarification purposes. The following was added, “and postpone the payment of provisional tax”:</p> <ul style="list-style-type: none"> <li>• <i>The temporary tax exemptions and reliefs on COVID-19 and the carried forward impact in future (e.g. loss of 2020 and 2021 of certain industries can be carried forward for 8 years, and postpone the payment of provisional tax.</i></li> </ul>
C5	Tax avoidance, transactions with associated parties and special tax adjustments – <i>Excluded topics</i>	<p>A new <i>Excluded topic</i> was added, for clarification purposes:</p> <ul style="list-style-type: none"> <li>• <i>Base Erosion and Profit Shifting (BEPS)</i></li> </ul>
E1	The scope of value added tax (VAT) – <i>Excluded topics</i>	<p>Amendments made to the following <i>Excluded topic</i>. Changed from:</p> <ul style="list-style-type: none"> <li>• <i>Temporary tax treatments and reliefs on COVID-19 (e.g. exemption of VAT in Hubei for small-scale taxpayers in 2020 and reduced rate to 1% for small-scale taxpayers in 2021).</i></li> </ul> <p>Changed to:</p>

	Section and subject area	Syllabus content
		<ul style="list-style-type: none"> <li>• <i>Temporary tax treatments and reliefs on COVID-19 (e.g. exemption of VAT for small-scale taxpayers from 1 April 2022 to 31 December 2022).</i></li> </ul>
E2	The computation of VAT liabilities – <i>Excluded topics</i>	<p>Amendments made to the following <i>Excluded topic</i>. Changed from:</p> <ul style="list-style-type: none"> <li>• <i>The refund of incremental input VAT brought forward from 1 April 2019 onwards.</i></li> </ul> <p>Changed to:</p> <ul style="list-style-type: none"> <li>• <i>The refund of input VAT brought forward for certain industries and the incremental VAT brought forward from 1 April 2019.</i></li> </ul>
E3	Imports and exports of goods and services – <i>Excluded topics</i>	<p>An amendments made to <i>Excluded topics</i> for clarification purposes Words “<i>special zones e.g.</i>” were added to the following sentence:</p> <ul style="list-style-type: none"> <li>• <i>Special VAT treatment of special zones e.g. Hainan special zone.</i></li> </ul>
E4	The administration of VAT – <i>Excluded topics</i>	<p>An amendment made to <i>Excluded topics</i>, words “<i>including e-invoices</i>” were added to the following sentence for clarification purposes:</p> <ul style="list-style-type: none"> <li>• <i>Details on issuing of VAT special invoices and general invoices, including e-invoices.</i></li> </ul>

**Table 2 – Additions to syllabus**

	<b>Section and subject area</b>	<b>Syllabus content</b>
B6	The use of exemptions and reliefs in deferring and minimising tax liabilities	A new section (d) was added to B6, due to the new tax incentive introduced in 2022:  (d) Tax reduction on sole proprietorship (the 50% reduction on the first RMB1 million income).
C4	Tax incentives	A new section (d) was added to C4 due to the new tax incentive introduced:  (d) Understand and apply the accelerated depreciation to the purchase of fixed assets.

**Table 3 – Deletions from syllabus**

	<b>Section and subject area</b>	<b>Syllabus content</b>
B5	The comprehensive computation of taxable income and tax liabilities	The following section (f) was deleted from the syllabus and is no longer examinable:  (f) Compute the tax credit available in respect of foreign tax paid on foreign income.

## **Reading List**

China Distance Education Holdings Ltd., CDEL

Website: <http://www.cdeledu.com>

Study Text – China Taxation

2023 edition

## **Recommended reading:**

“Taxation Law”, edited by the Chinese Institute of CPAs, 2022 edition

“Taxation Law I” and “Taxation Law II”, edited by the Chinese Institute of tax agents, 2022 edition

## **Additional reading:**

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