

## China VAT Reform to Help Firms Cope with Financial Turmoil: Official

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A senior Chinese official said on Tuesday that the country's value-added tax (VAT) reform would help domestic enterprises to tide over the adverse effects of the financial crisis.

Zheng Jianxin, deputy director general of the taxation department of China's Ministry of Finance, said Chinese exports were hit by the financial turmoil, which started in the United States, and the government was weighing measures to reduce the impact.

"The VAT reform would encourage investment and technological upgrading at Chinese companies, boost domestic demand, improve companies' competitive strength and play a positive role in helping companies to tackle the financial crisis," Zheng said during an online interview with netizens on the website www.gov.cn.

China announced last month to extend its value-added tax (VAT) reform to all industries nationwide from Jan. 1, 2009, as part of the 4 trillion yuan (584 billion U.S. dollars) stimulus package in the next two years to buttress economic growth.

The reform was aimed at shifting from the existing production-based to a consumption-based VAT regime, which would enable companies to get tax deductions on spending on fixed assets, Zheng said, adding that this would reduce the tax burden on companies by more than 123 billion yuan next year.

The reform would also scrap policies that exempted imported equipment from VAT, and removed foreign-funded companies from eligibility for tax rebates on domestic equipment purchases and put them on an equal footing with domestic companies, he said.

"The VAT rate for small businesses and the self-employed who fall into the small-scale taxpayers category was reduced to a universal 3 percent from 6 percent for industrial firms and from 4 percent for commercial companies, while the VAT rate for mineral products rose back to 17 percent from 13 percent," he added.

Zheng said the raising of the VAT rate for mineral products was to support resource conservation in the country.

Wang Jide, a senior official from the State Administration of Taxation, said tax burdens on companies would not only be reduced, but would also become more rational, as the administration would strengthen the check-up of taxpayers' information and intensify invoice management.

Wang added that the reform would aid the development of the country's small and medium-sized companies, many of which were suffering from the effects of the financial crisis. (Xinhua)

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