



BRITACOM Events

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China's Tax Administration System –An Overview and Compliance Suggestions

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Part 01

Overview: China's Smart Tax Reform

The Transformation of China's Tax System

01. Core Guiding Principles

Rule-of-Law Foundation

Strengthening the legal framework to ensure standardized, transparent, and fair taxation practices across all procedures.

Digital Empowerment

Leveraging AI, big data, and cloud technology to build a smarter, more efficient, and paperless tax administration system.

Categorized Risk Supervision

Implementing precision management by classifying taxpayers based on risk levels to optimize resource allocation.

Collaboration & Globalization

Fostering cooperative tax environments and aligning domestic practices with international standards like OECD Tax 3.0.

02. "Data + Rules" Dual-Driven Model

Integrated Core Mechanism

This model seamlessly combines massive data analytics capabilities with strict rule enforcement. It transforms passive management into proactive service, ensuring compliance while reducing administrative burdens.

Three-in-One Smart Ecosystem

A unified platform serving taxpayers (convenience), tax officials (efficiency), and decision-makers (insight). It realizes data sharing, process automation, and evidence-based policy formulation for sustainable governance.



Modernization of Governance: From Invoice-based to Data-Driven

"One-Household" Consolidated Supervision for Large Groups

01 / Core Mechanism

Data Consolidation

Tax-related data of all domestic entities under the same overseas parent company is centrally consolidated into a unified profile for holistic oversight.

Inspection Coordination

Supervisory inspections across different regional tax bureaus are coordinated to ensure regulatory consistency and eliminate redundant field audits.

02 / Key Benefits

Reduces Compliance Burden

Resolves the pain point of duplicate data submissions and repeated inspections from different local tax authorities, cutting administrative workload.

Enhances Operational Efficiency

Creates a predictable, unified regulatory environment, streamlining compliance processes and allowing enterprises to focus on core business operations.



1. Multiple Domestic Entities

Subsidiaries, branches, and affiliated companies operating across different provinces and regions in China.



2. Centralized Data Pool

Integration of all tax filings, financial statements, and transaction data into a single, unified digital profile under the parent group.



Coordinated Supervision

Unified inspection standards and cross-regional information sharing.



Consistency & Efficiency

Reduced compliance costs and a stable, predictable regulatory experience.

Cross-Departmental Data Sharing

01

Ministry of Education

Data: Student status info, graduate employment stats

Scenario: Individual income tax verification, foreign-related education fee management

05

Ministry of Human Resources and Social Security

Data: Social insurance premium payment records

Scenario: Individual income tax verification

02

Ministry of Industry and Information Technology

Data: Vehicle configuration, registration, ownership info

Scenario: Vehicle purchase tax collection

06

Ministry of Natural Resources

Data: Real estate ownership, land right info

Scenario: Land appreciation tax management

03

Ministry of Public Security

Data: Household registration, organizational codes

Scenario: Individual income tax verification, tax source management

07

Ministry of Housing and Urban-Rural Development

Data: Real estate transaction info

Scenario: Commodity housing tax collection

04

Ministry of Finance

Data: Agency codes, treasury payment info

Scenario: Central government fund management



Seamless Collaboration

Jointly enhancing tax governance through secure and efficient data exchange.



Part 02

Key Digital Platforms



Three Core Digital Platforms

Digital Platforms

01 / E-Tax National Portal

National Unified E-Tax Bureau: The primary portal for all tax-related services, offering a comprehensive one-stop online tax office experience for enterprises and individuals.

02 / E-Invoice Digital Invoicing

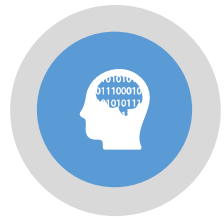
E-Invoices : Replacing traditional paper and static e-invoices with a fully digital, dynamic system for real-time issuance and management.

03 / Leqi ERP Integration

Leqi Direct Connection Platform: Seamlessly embeds tax rules and compliance checks directly into enterprise ERP systems, ensuring real-time regulatory alignment.

The National Unified E-Tax Bureau: Auto-Calculation, One-Click Confirmation, Associated Filing

Taking "VAT and Additional Tax Declaration (for general VAT payers)" as an example



Rule Engine



Data Pre-filling

New E-Tax Bureau can pre-fill up to
432 data items

- 01 Faster & More Efficient:** 70% of taxpayers use confirmation filing, completing the process in just 2 steps. 90% of taxpayers can complete filing within **3 minutes**.
- 02 Smarter:** Dynamically generates associated declaration forms, enabling **one-click filing for multiple taxes**.

The National Unified E-Tax Bureau: From "Taxpayers Find Policies" to "Policies Find Taxpayers"



Traditional Model: "Taxpayers Find Policies"

Taxpayers need to visit halls, call hotlines, or consult professionals.

Pain Points: Information asymmetry, complex processes, and delayed policy access.



Smart Transformation: "Policies Find Taxpayers"

Tax authorities use big data & digital tech to proactively analyze profiles and deliver policies.

Advantages: Accurate delivery, simplified processes, improved taxpayer satisfaction.

■ Implementation: Dual Label System + Intelligent Matching

1. **Label System Construction:** Establish standardized "tax policy labels" and multi-dimensional "taxpayer feature labels."
2. **Intelligent Matching Engine:** Use algorithms to match enterprise features with policies, achieving "thousands of people, thousands of policies."

Examples of Tax Policy Labels

VAT Refund
Upon Collection

Small-scale
Simplified Coll.

VAT Credit
Refund

SMEs
IT Reduction

Disabled
Tax Benefits

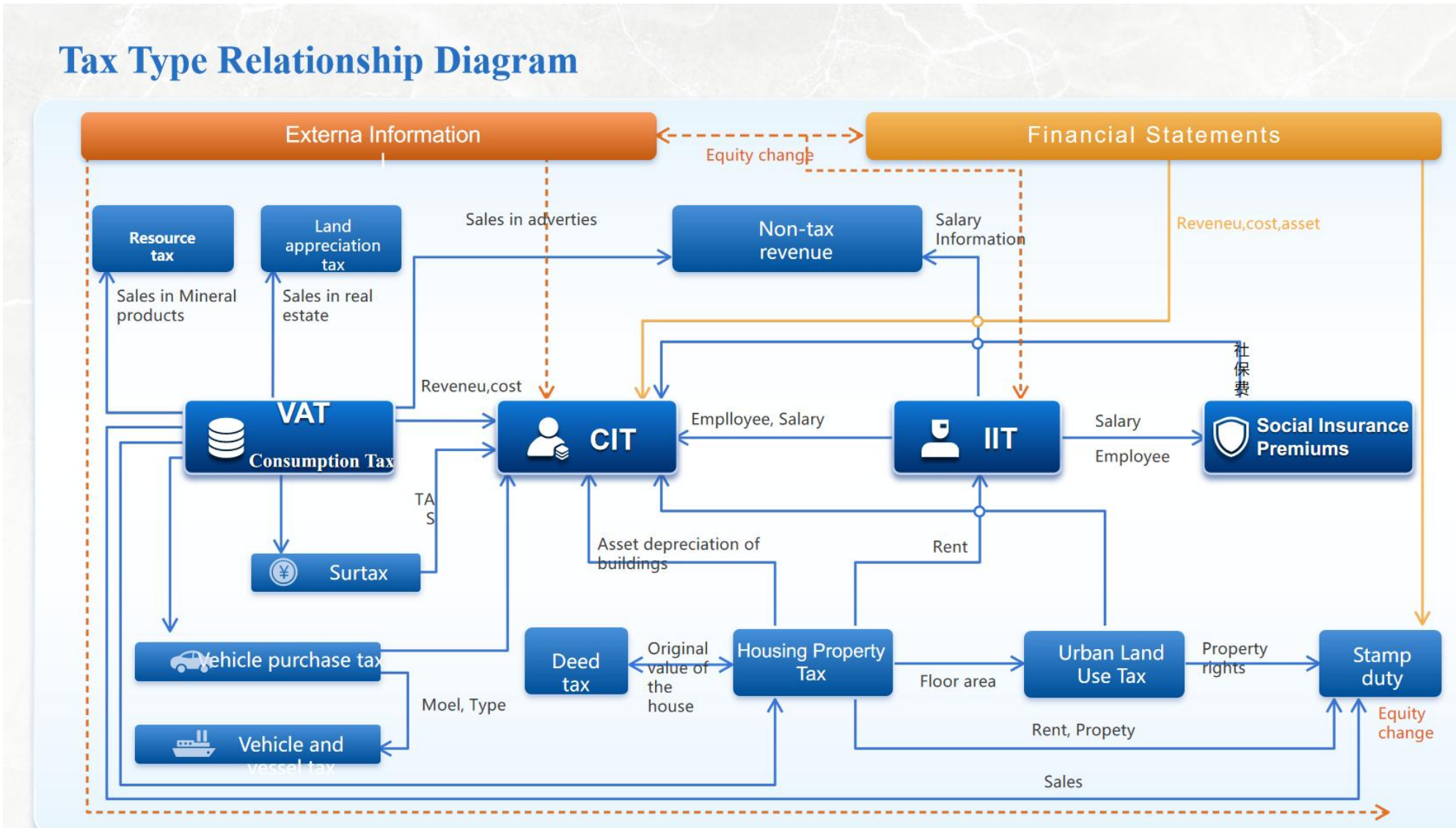
Export
VAT Exemption

Agri-Products
Tax Exemption

Withholding Tax
Reduced to 5%

The National Unified E-Tax Bureau: Intelligent Examination of Tax Returns

Tax Type Relationship Diagram



E-Invoice Platform-Process Optimization



Control invoice



Reduce manual intervention



Reduce Corruption

Leqi Direct Connection: Embedding Tax Rules into Business

Normal filing

Paper document
Complex calculation

Branches file
separately across
regions

Extensive policies
Manual
bookkeeping

Direct connection filing

Auto-tax
calculation from e-
vouchers

Centralized Batch
Auto-Filing

Automated tax
calculation and
filing

71

Handle over 70
tax matters

435
thousand

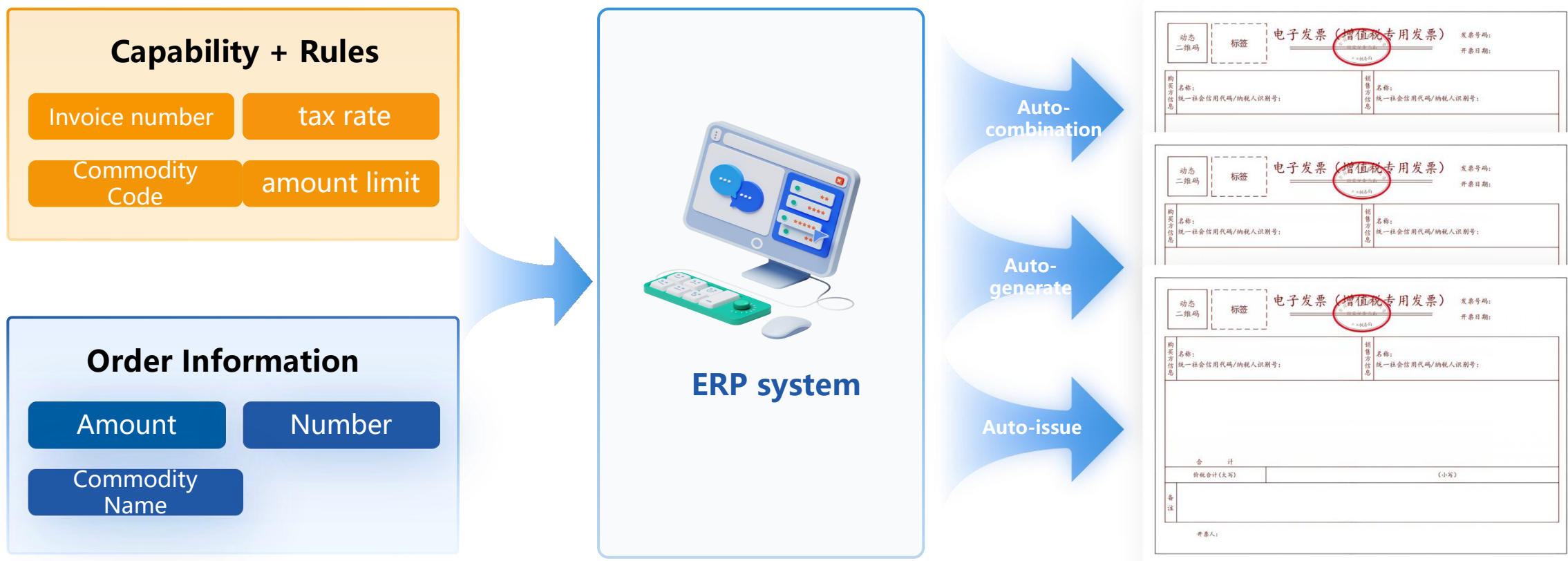
Used by 435 thousand
large enterprises

50%

Account for more
than 50% of invoices

Leqi Direct Connection: Embedding Tax Rules into Business

The system is in use by 435,000 enterprises, accounting for more than 50% of the **total** digital invoice issuance volume





Part 03

Full-Chain Tax Risk Management



A Proactive, Three-Stage Management Model

Whole-process of Compliance Risk Management System

Before Filing

**Precise tax guidance to
encourage voluntary
compliance**

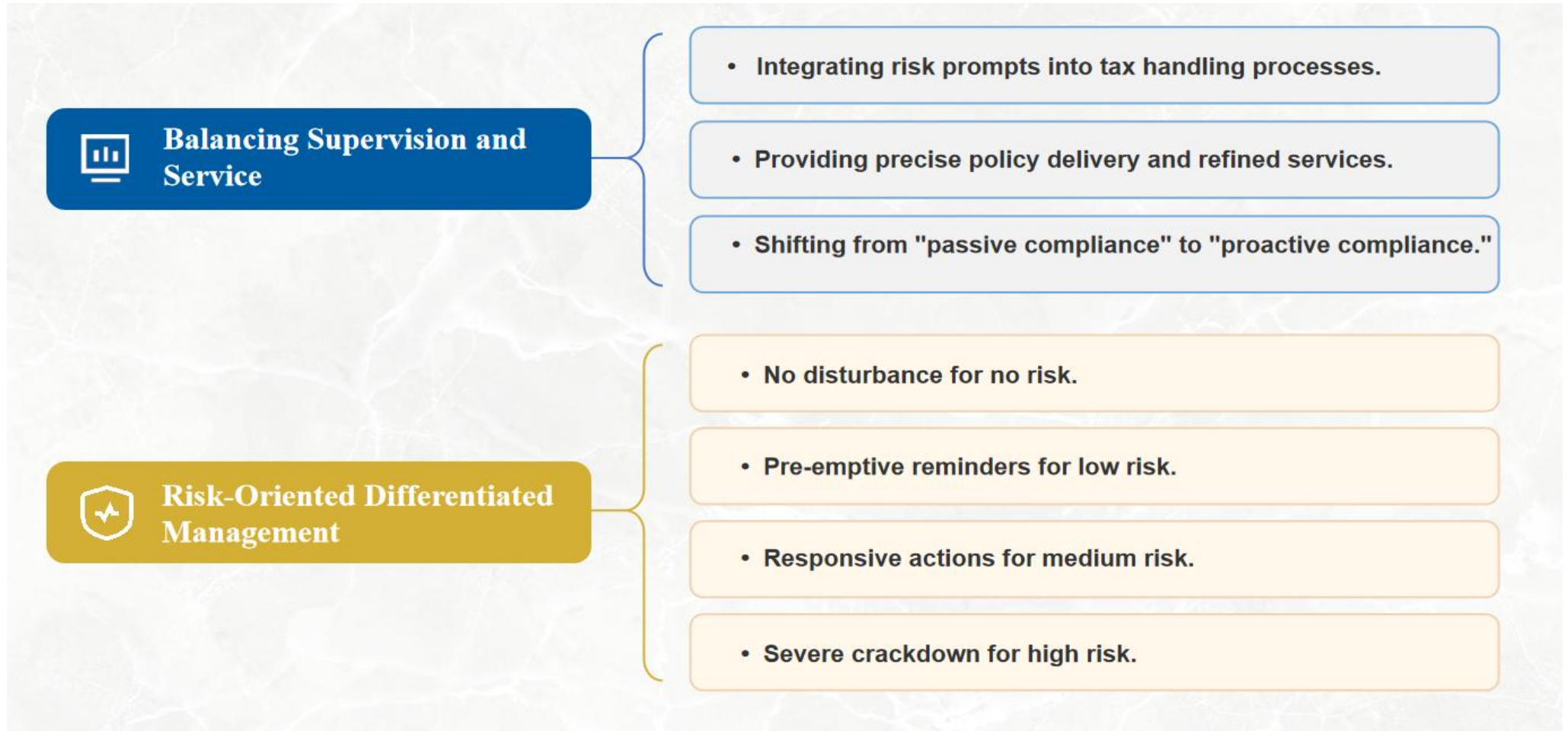
During Filing

**Compliance verification to
ensure effective process
contro**

After Filing

**Precise post-event disposal to
strengthen closed-loop
governance**

Key Principles in Risk Management



Compliance & Integrity: The Cornerstones of Sustainable Tax Risk Management

After Filing: Risk Classification and Disposal



Over the Past Three Years, Post-filing Risk Management has Maintained a "One Drop, Three Rises" Positive Trend

↓ **19.2%**

Annual Average Decrease
in Risk Cases

↑ **50%**

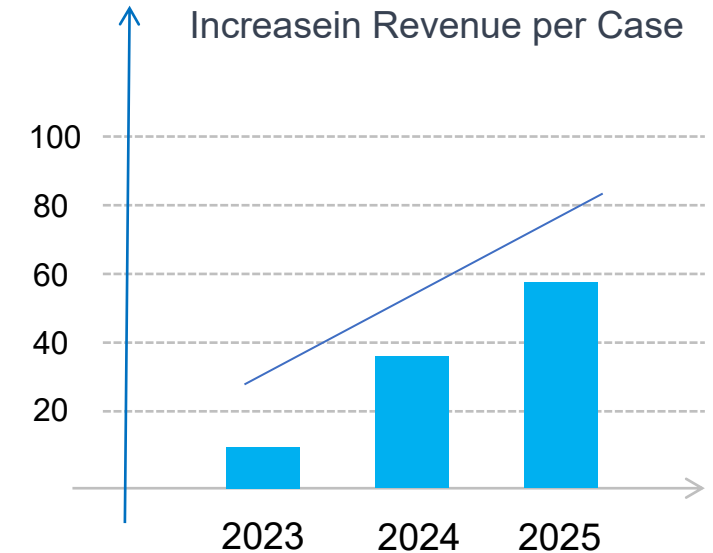
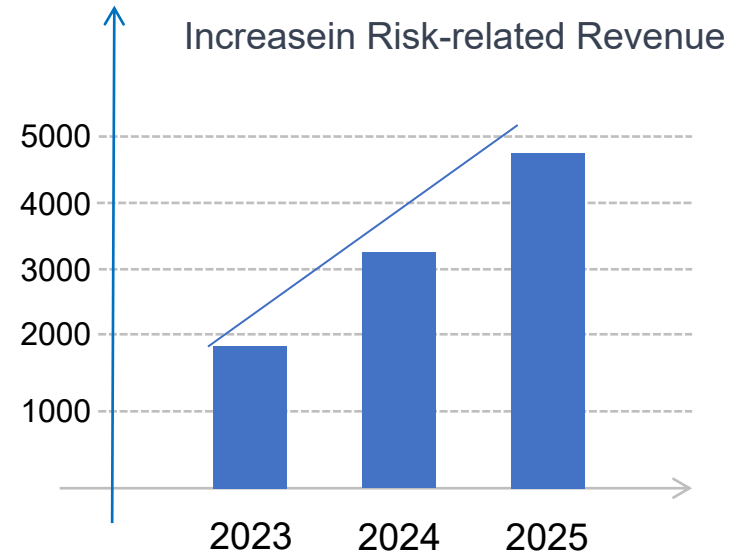
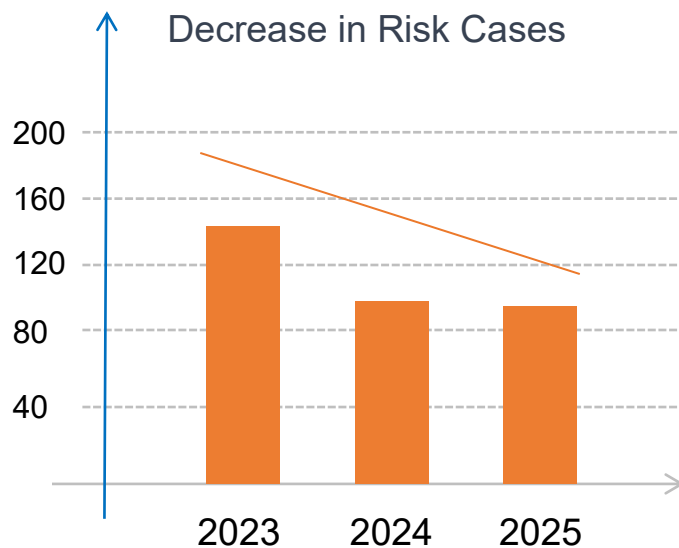
Annual Average Increase
in Risk-related Revenue

↑ **0.7 p.p.**

Annual Average Increase
in Revenue Contribution Rate

↑ **110.5%**

Annual Average Increase
in Revenue per Case





Part 04

Compliance Suggestions

Suggestion 1 & 2: Foundation & In-Event Control

01. Consolidate Credit Compliance Foundation

Integrate Tax Credit into Group Management

Ensuring compliance targets are aligned with overall group performance evaluation and strategic goals.

Establish a Group-Wide Internal Control System

Unify operational standards, documentation protocols, and approval workflows across subsidiaries to eliminate regional discrepancies and ensure consistent compliance execution.

Manage Risks at the Source

Strictly adhere to the Arm's Length Principle and maintain complete Contemporaneous Documentation to proactively mitigate transfer pricing audit risks.

02. Strengthen In-Event Data Control Mechanism

Leverage System Self-Check Functions

Configure automated periodic self-inspection routines within the ERP to scan for data anomalies, missing filings, and calculation errors in real-time.

Respond Promptly to E-Tax Bureau Alerts

Establish a tiered response protocol for system-generated warnings; assign dedicated personnel to review, validate, and correct identified issues within a defined SLA.

Achieve "Early Detection, Early Correction"

Transform passive risk handling into proactive prevention by resolving discrepancies during the transaction cycle, before tax filing or external audit.



Suggestion 3: Deepen Digital Empowerment & Communication

01. Accelerate Digital Upgrade

Large groups are encouraged connect to the Leqi platform to optimize operational workflows. This integration aims to significantly reduce administrative costs, improve processing efficiency across departments, and establish a robust system for comprehensive risk control and management.

02. Strengthen Team Capabilities

Implement a structured training program for finance and tax teams focusing on the latest regulatory policies and advanced digital tools. Regular workshops and skill-building sessions ensure the team stays updated on industry changes, enhancing professional competence and adaptability to digital transformation.

03. Smooth Tax-Authority Communication

Leverage specialized platforms such as the "Tax Express" to build stable, regular communication bridges with tax authorities. Proactively consult on complex tax issues and policy interpretations to ensure compliance, mitigate potential disputes, and align business operations with regulatory requirements.



Strategic Focus: Digital Transformation & Regulatory Synergy



THANKS