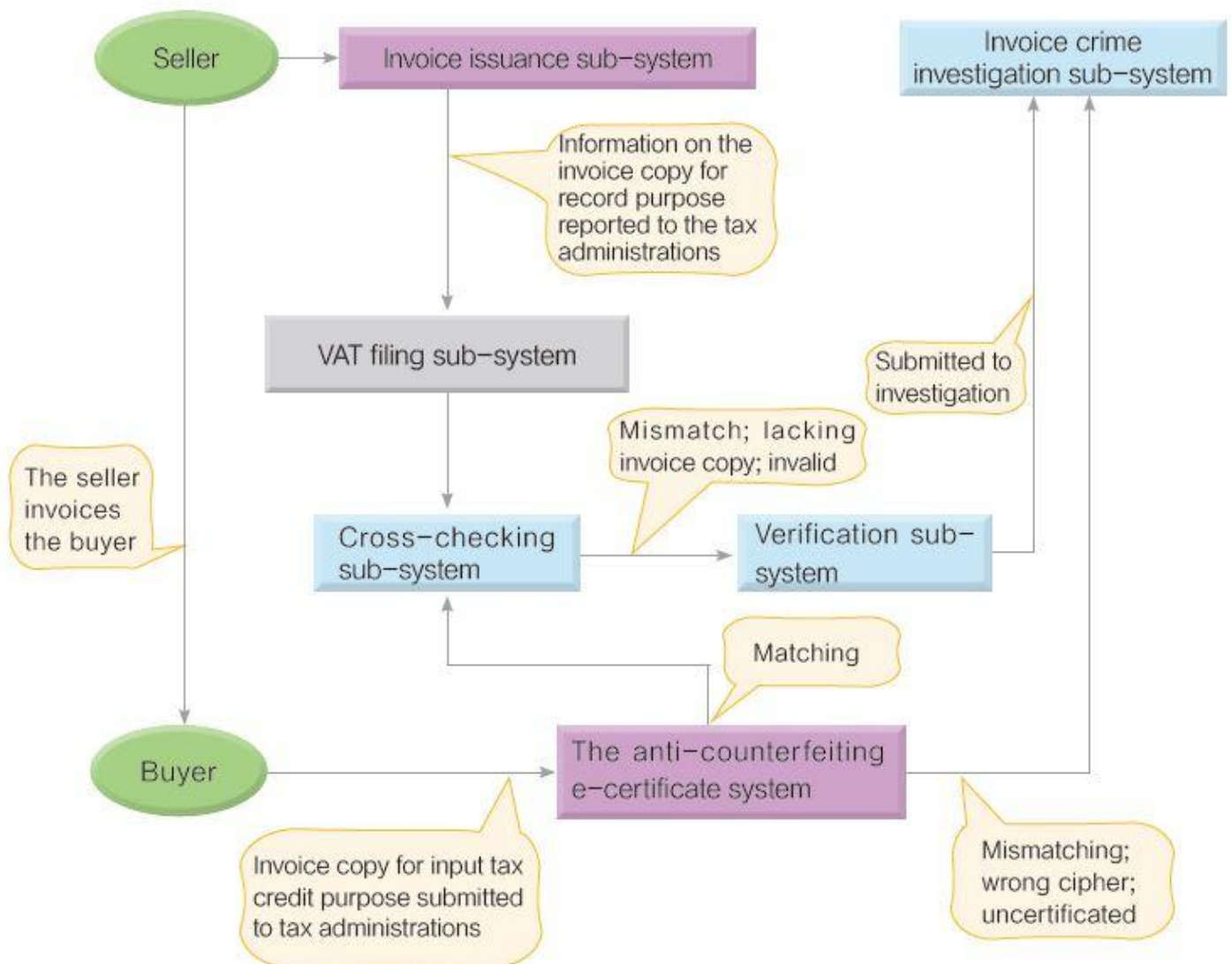


The VAT Administration Information System is a circular system composed of six subsystems, which are anti-counterfeiting control invoicing, authentication, filing, crosschecking, verification and cooperative investigation respectively, forming a closed-loop control of VAT special invoices. The system has helped enhance the VAT administration efficiency, improved the quality of taxpayer service, reduced the cost of collection, and prevented tax losses, ensuring steady growth of VAT revenues.

It has also contributed significantly to the goals of building a level playing field and maintaining steady growth of tax revenues in China.



The VAT Administration Information System consists of six sub- systems:

The anti-counterfeiting invoicing sub-system. It employs the numerical code and electronic information storage techniques to increase the system's capability to detect false VAT invoices. It helps tax administrations to obtain a correct understanding of the seller's invoicing information, so that tax revenues are monitored and controlled at source.

The anti-counterfeiting authentication sub-system. It scans, deciphers and compares the ciphered and plain text images on VAT invoices to authenticate the invoice. The data are then fed into the cross-checking sub-system or the invoice cooperative investigation sub-system.

The anti-counterfeiting filing sub-system. It reviews the invoice information submitted by taxpayers and feeds it into the cross-checking sub-system.

The cross-checking sub-system. It compares the VAT invoice information from the buyer with that from the seller online.

The verification sub-system. It verifies and handles the mismatched VAT invoices selected and fed by the cross-checking sub-system. Then it refers the invoices suspected of tax evasion and fraud to the invoice crime investigation sub-system.

The invoice cooperative investigation sub-system. It refers the invoices that are suspected of being involved with breach of tax laws and regulations from the verification and authentication sub-systems to the appropriate tax administrations in another region. The STA oversees the cooperative investigation via this subsystem to ensure the effectiveness and efficiency of the investigation.