

## Finance staff have no idea of overseas business tax rebate? You are OUT

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Overseas business tax rebate means that in some countries (such as Europe, Australia, New Zealand, Japan, South Korea, etc.) a certain proportion of value-added tax is collected from overseas enterprises when they purchase certain services, while local governments issue particular business tax rebate act and policy for this part of VAT to encourage enterprises to participate more in commercial, trade, and investment activities

## in their countries.

That is to say, when a variety of expenses are generated due to your business activities abroad such as hotel, exhibition, lawyer consulting and auditing, patent consulting, office cost and others, there are a large amount of taxes to be rebated. According to the feedback from relevant business tax rebate companies, less than 10% enterprises in the market that have knowledge about or have experience in handling business tax rebate. Great economic losses arise from poor understanding of business tax rebate policy or tedious process.

UnionBlue, a well-known business tax rebate company suggests that people may deliver invoices to professional business tax rebate companies and try to apply for tax rebate for the following consumptions:

Most European countries implement the regulations that allow foreign companies to rebate VAT in the local business activities as encouragement of international trade and business activities. Overseas companies are allowed to apply for business tax rebate under Directive 6, 8 and 13. Chinese companies can apply for tax rebate from the following expense items when they have business activities in Europe, Canada, Australia, South Korea and other countries:

- 1.Travel expenses (catering, hotel accommodation and communication)
- 2.Booth set up cost
- 3.Professional service charges (housing rental, building, demolition, repair, intermediary services, hiring auctioneers, architects, lawyers, surveyors, engineers, audit services, property assessment, investigation, advertising, design, etc.)
- 4.Transportation (expenses of goods purchasing, transportation, manual operation, etc. from one EU country and transport to another one)
- 5.Overseas training refers to training expenses for Chinese company employees in foreign countries
- 6.Commodity exhibition/conference, which refers to related expenses of Chinese companies or organizations' participation in international exhibitions, conferences or their hosting of international conferences and product launches.
- 7.Expenses of office in foreign countries, including office rent, utilities, network communication, office supplies, publicity, warehouse rent, etc.
- 8.Inter-company expenses, which refer to expenses incurred between Chinese companies and its overseas branches/overseas headquarters affiliated to the same group.

In July 2018, Morgan McKinley co-hosted with F- Council a small salon discussion on overseas business tax rebate for financial professionals. The professionals had a hot discussion on the current issues in practical operation of overseas business tax rebate of Chinese companies.

Q1: How long does tax rebate take?

A1: The actual tax rebate completion time of state administration of taxation vary in different countries. It is usually 6-12 months according to regulations of overseas state administration of taxation.

Q2: Are the original invoices required for tax rebate? How should financial accounting be handled without the originals?

A2: The original invoices must be submitted. Copies can be applied for financial accounting or invoice issuing unit can be required to print twice. The original is for tax rebate and the copy is for accounting. Or you can apply for electronic invoice, which is of the same legal effect with the original one.

After overseas tax rebate is completed, overseas tax authorities will return these invoices directly to business tax rebate company (such as UnionBlue, VAT IT, AGI, etc.) and these tax rebate companies will return all original invoices to customers.

Q3: How long is invoice valid for?

A3: Invoices of most countries are valid for one natural year (i.e. from January 1<sup>st</sup> to

December 31<sup>st</sup>), invoices of the U.K. are valid for one fiscal year (i.e. from July 1<sup>st</sup> that year to June 30<sup>th</sup> the next year); invoices of Australia and South Korea can be traced back for four natural years, and invoices of the Netherlands can be traced back for five natural years.

Q4: After the rebated tax is returned to the enterprise, will the enterprise be required to pay taxes?

A4: Overseas business tax rebate has the same nature as import and export tax rebate of domestic enterprises. The rebated tax is VAT collected for service, which does not fall into the category of regular operation revenue of enterprises and even does not fall into the category of "enterprise revenue" in nature. It actually writes down the item of "tax payable".

Q5: What if invoice title is left blank?

A5: The invoice of large amount such as hotel, exhibition, training and others may be issued in the title of company, while those cannot be issued in the title of company for the invoices of small amount like transportation, refueling, supermarket, catering and others. It is suggested that the invoices of small amount like above be packaged together with the invoices of large amount to business tax rebate company.

Q6: Can tax rebate be applied for invoices with individual titles for catering and hotel during exhibitions?

A6: All tax rebate invoices must be issued with title of companies. Official stamp will be required on the invoices as authorization for those with individual titles. In addition, the copy of authorization must be provided later.

The invoices of government departments for investigation trips abroad can also be applied for tax rebate if the titles are internal government affiliated enterprises and with tax included; in general, the titles of invoices for tax rebate must be entity enterprises.

Q7: How long does recording in Japan and Italy take and how much does it cost? Is invoice available?

A7: In Japan and Italy, advance recording is required. You should apply for recording one quarter prior to departure, and the tax authorities of the destination country will charge a certain recording fee. Only one recording is required for each company, and regular annual review shall be taken in the next year.

Please fill in application form before recording and submit to the country for tax rebate for approval. After approved, submit recording fee to the country for tax rebate with the assistance of business tax rebate company and the tax authority will issue corresponding invoice.

Q8: Handling charge for recording in different countries, will service charge be refunded in case of failure in recording? What about the recording charge level and validity in different countries?

A8: The standard recording order is: the enterprise raises application → fill in rebate recording form of Japan or Italy → business tax rebate company submits recording application documentation to the state administration of taxation in Japan or Italy for approval → after approval by the state administration of taxation in Japan or Italy, the applicant enterprise pay recording fee → if fails, the applicant enterprise will not pay recording fee; the recording fee is for the first rebate recording and for the first year, and annual auditing fee shall be charged in the next year.

Q9: Will invoices provided by overseas purchasing agents be used for tax rebate?

A9: The invoices of overseas purchasing belong to commodity purchasing and can only be applied for purchasing tax rebate, which does not fall into our business scope.

Q10: Will the taxes and fees arising from immigration be returned?

A10: The service charges arising from immigration (such as lawyer service, consulting service, etc.) can be rebated only when the titles are enterprises other than the destination country.

