

## 6.2 Invoice Management

### 6.2.1 Definition of Invoice

Invoice is the proof of payment in a transaction involving the sale of goods, provision of labour service, or other business activities. It is also a document supporting that a payment and receipt has taken place, an official document for financial management and accounting, and an important tool in auditing for taxation purpose.

Invoices are generally in triplicate copies, namely the stub, invoice copy and accounts copy. Value-added tax (VAT) invoices have one more copy, which is the deduction copy.

### 6.2.2 Purchase and Collection of Invoice

#### (a) Purchase and collection procedure

An individual or enterprise that has completed tax registration as required by law will be issued a tax registration certificate, after which he or it can apply to the competent tax office for the purchase of invoice by submitting the following: identification document of the applicant, tax registration certificate or other proof, official seal or special seal for invoices. Upon examination and approval by the tax office, an invoice collection book specifying the type and quantity of invoices to be purchased as well as the method of purchase will be issued. The applicant can then purchase the invoices from the competent tax office.

#### (b) Temporary purchase of invoice in other localities

An individual or enterprise in need of invoices on a temporary basis can apply directly to the local tax office. When an individual or enterprise conducts business activities in places other than the place of original tax office and needs invoices, an application can be made to the local tax office by submitting proof from the original tax office. A guarantor is required in this case or a deposit

of no more than Rmb10,000 is payable depending on the face value and quantity of invoices specified in the invoice collection book. This kind of invoices issued by the tax office where the business activities take place have to be used and cancelled within a specified period.

### 6.2.3 Invoice Issuance

- (a) An individual or enterprise that receives payment for the sale of goods, provision of service or other business activities should issue invoices to the payer. Under special circumstances, the payer will issue invoices to the payee.
- (b) When enterprises and individuals engaged in production or other business operations purchase a good, receive a service or conduct a business activity, they should ask the payee for an invoice and must not change the description or amount shown on the invoice.
- (c) Invoices should be issued in serial order within a specified period of time. Invoices in multiple copies should be issued at one time to accurately record the details of a transaction and stamped with the issuer's official seal or special invoice seal.
- (d) No individual or enterprise should borrow, transfer or issue invoices on others' behalf. Unless approval is granted by the tax authority, the invoice books should not be detached for use. The scope of use for special invoices should not be extended casually.
- (e) Invoices which fail to meet the relevant requirements cannot be used as financial proof. Enterprises and individuals may refuse to accept such invoices.
- (f) Starting from 1 July 2003, taxpayers in Beijing, Tianjin, Shanxi, Jilin, Helongjiang, Jiangsu, Ningbo, Anhui, Fujian, Xiamen, Qingdao, Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi, Hainan, Sichuan,

Chongqing, Yunnan, Gansu and Ningxia are required to issue VAT invoices by anti-forgery VAT invoice system. Hand written VAT invoices have been disallowed for input VAT claim purpose (except the VAT invoices issued by tax authorities on behalf of small scale VAT payers).

- (g) In addition, starting from 1 August 2003, handwritten VAT invoices have been disallowed for input VAT claim purpose in Hebei, Neimenggu, Shanghai, Guizhou, Shanxi, Qinghai and Xizang (except the VAT invoices issued by tax authorities on behalf of small scale VAT payers). Any handwritten VAT invoices issued on or after 1 August 2003 cannot be used as input VAT claim evidence across the whole country (except the VAT invoices issued by tax authorities on behalf of small scale VAT payers).

#### 6.2.4 Storage of Invoices

- (a) An enterprise or individual that issues invoices should set up an invoice register recording the usage of invoices and report to the competent tax office on such usage on a regular basis.
- (b) When an enterprise or individual applies for changes or cancellation of tax registration, the invoices and invoice books should also be changed or cancelled at the same time.
- (c) An enterprise or individual should take good care of the invoices and keep them in good condition pursuant to the rules of the tax office.
- (d) Invoice stubs and invoice registers should be retained for five years after which time they should be destroyed upon checking by the tax office.

#### 6.2.5 Inspection by Tax Authorities

Enterprises and individuals involved in printing and using invoices are subject to inspection by the tax authorities. They must fully cooperate with inspectors from the tax departments by providing true and accurate information.