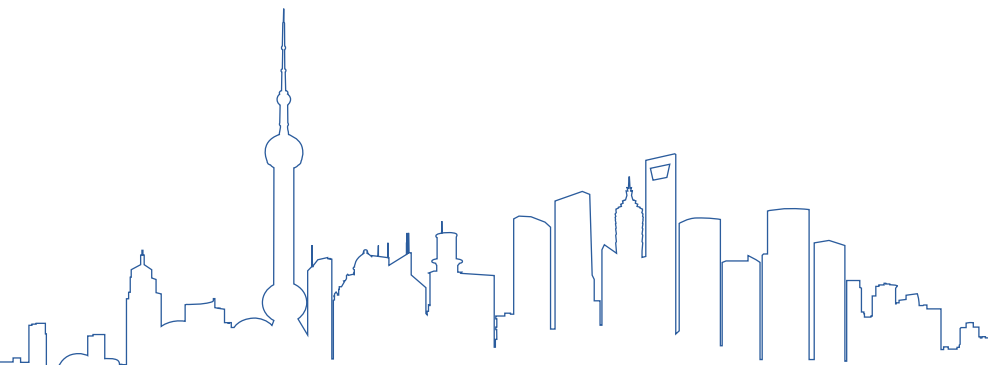


2024

White Paper on Shanghai's Tax Environment



2024



White Paper on Shanghai's Tax Environment



国家税务总局上海市税务局

Shanghai Municipal Tax Service, State Taxation Administration

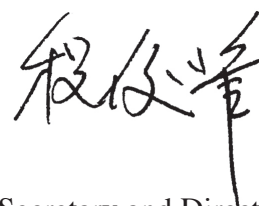
Preface

In 2024, the 75th anniversary of the People's Republic of China and a pivotal year for achieving the 14th Five-Year Plan objectives, Shanghai Municipal Tax Service remained steadfast in supporting the city's development strategy under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Focusing on the city's strategic development positioning, benchmarking against advanced international standards and proactively addressing taxpayer demands, Shanghai Municipal Tax Service implemented a series of pioneering and exemplary tax reform initiatives, significantly improving the competitiveness and attractiveness of Shanghai's tax environment.

Shanghai Municipal Tax Service has rolled out the nationally standardized E-Tax Service platform, integrated tax processing and inquiry, and scored a new leap forward in the digitalization and intelligentization of tax services. We've established China's first Tax Tribunal and pioneered advance tax ruling at the provincial level to foster a fair, transparent, predictable, and law-based tax environment. Our pilot project for stamp duty preferences for offshore trade has enhanced alignment with international trade rules. We have continued to develop sub-brands of TaxExpress for cross-border tax services, such as "Yi Lu Hu Hang" (Smooth Sailing to Shanghai), introducing a series of practical measures to boost cross-border investment. We're implementing and refining the mechanism for precisely delivering information on tax incentives in order to boost the development and prosperity of market entities. We have further advanced taxation integration in the Yangtze River Delta, advancing cross-regional tax processing, to establish a new framework for regional collaborative tax governance.

Looking ahead to 2025, Shanghai Municipal Tax Service will stay committed to serving market entities. Guided by *Action Plan to Focus on Enhancing Enterprises' Experience and Continuously Building a World-class Business Environment*, Shanghai Municipal Tax Service will deepen tax reforms and optimize services through innovation and institutional breakthroughs. Our goal is to create a more transparent, efficient, and fair world-class tax environment and play a bigger role in consolidating and elevating Shanghai's position as an international economic, financial, trade, shipping, and technological innovation center (the "Five Centers").

Just as a thousand streams converge into the vast sea, let us unite in purpose within Shanghai's vibrant ecosystem. With favorable winds guiding our shared voyage, may all market entities seize the boundless opportunities in our world-class tax environment. Together, let us chart a bold course forward, co-authoring a proud new chapter of high-quality development!



Party Committee Secretary and Director General of
Shanghai Municipal Tax Service, STA
March 31, 2025



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Shanghai Tax Events 2024

Jan.

- *Action Plan of Shanghai Municipality for Continuously Creating a World-class Business Environment by Adhering to Reform* was issued by the Shanghai Municipal People's Government, which contains 6 tax-related measures such as regular publication of taxpayer feedback and business deregistration on the Government Online-Offline Shanghai platform.
- In collaboration with Shanghai Municipal Administration for Market Supervision and Administration, Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Medical Security Administration, Shanghai Housing Provident Fund Management Center, Shanghai Municipal Tax Service issued the *Opinions on Comprehensively Deepening the Reform of Facilitating the Exit of Business Entities* to streamline the deregistration process for businesses, ensuring their lawful and orderly withdrawal from the market.

Mar.

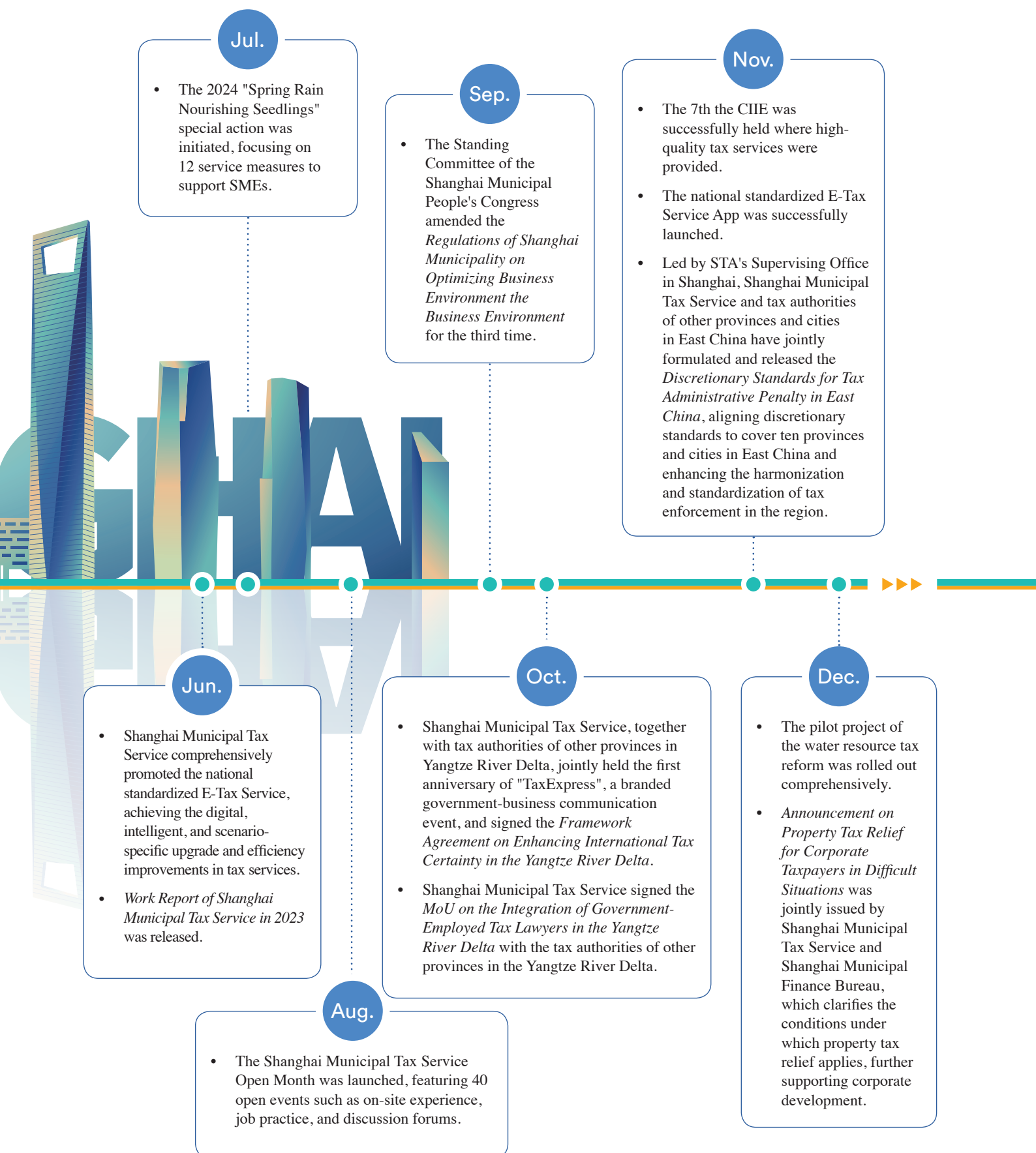
- *Measures to Reduce Burdens and Support the Development of Small and Medium-sized Enterprises* was issued by the Shanghai Municipal People's Government, which contains tax-related measures across 5 major categories, including reducing tax, labor, energy and financing costs.

Feb.

- The first Tax Tribunal in China was launched in Shanghai to achieve centralized jurisdiction over tax issues administrative cases.
- *Measures to Support Tax Collection and Service in Shanghai* was issued by Shanghai Municipal People's Government to give a stronger support for collaborative tax governance while protecting the legal rights and interests of taxpayers.

Apr.

- The first preferential stamp duty policy for offshore trade in China was launched in the Shanghai Pilot Free Trade Zone and its Lingang Special Area.
- The 33rd Tax Publicity Month was celebrated where the "Sci-Tech Tax Service" initiative was launched.
- *Provisions on Simplified Administrative Reconsideration Procedures in the Tax System of Shanghai (Trial)* was issued to promote the classification of administrative reconsideration over tax issues, enabling the prompt handling of simple cases.
- *The 2023 White Paper on Shanghai's Tax Environment* was released.
- The "12366" multilingual and multi-channel tax inquiry system was launched.
- The "Spring Breeze Action" to facilitate tax processing has been carried out for the 11th consecutive year, with a series of tax service measures integrated to benefit both individuals and enterprises.
- Shanghai Municipal Tax Service launched cross-regional tax services based on close interactions between tax authorities and taxpayers
- Shanghai Municipal Tax Service added an "Advance Tax Ruling" section on its official website to publicly announce advance tax ruling cases.



Achievements

2024



Shanghai's tax revenues collected through Shanghai Municipal Tax Service totaled **1521.61** billion yuan



Social insurance premiums totaled **62.034** billion yuan



Non-tax income totaled **37.165** billion yuan



Tax relief and fee reduction packages & refunds and deferrals of the main policies on supporting scientific and technological innovation and manufacturing industry development amounted to **183.06** billion yuan



In 2024, the cumulative tax refunds and exemptions for export enterprises amounted to **155.91** billion yuan

with tax refunds of **108.76** billion yuan

2024

online handling of tax-related matters in Shanghai
94%

online handling of tax filing
99%

233
tax matters had been handled online

97%
of taxes can be handled on smartphone or PC terminals

99%
of tax filing can be handled on smartphone or PC terminals



The annual government service rating in 2024 is nearly 99.99% positive

99.99%

In alignment with the highest standards in the world, Shanghai Municipal Tax Service took the lead in implementing a series of reform and innovation initiatives in China with the aim of providing intelligent, internationalized and people-oriented tax service, thus setting a new benchmark for tax modernization.

China's first Tax Tribunal was established to achieve centralized jurisdiction over tax-related administrative cases.

Shanghai Municipal Tax Service took the lead in refining administrative reconsideration procedures by issuing the *Provisions on Simplified Administrative Reconsideration Procedures in the Tax System of Shanghai (Trial)*. This initiative reduced the reconsideration review period from 60 days to 30 days for four types of cases, including those involving taxes, social insurance premiums, and non-tax income of less than 3,000 yuan, thereby enhancing the convenience and promptness of administrative reconsideration.

Shanghai Municipal Tax Service took the lead in adding an "Advance Tax Ruling" section on its official website to give publicity to advance tax ruling cases.

Shanghai Municipal Tax Service has launched the "**12366**" multilingual and multi-channel tax inquiry system, which is capable of providing Q&A in 9 languages: English, Japanese, Korean, French, German, Spanish, Russian, Arabic, and Portuguese, via online platforms, mobile apps, and the hotline.

As a pilot program, **Shanghai Municipal Tax Service has launched** full-range ex-ante, in-process and post-facto services for cross-regional relocation: sending notifications before relocation, promoting categorized expedited processing during relocation, and providing follow-up services after relocation, making it more convenient for taxpayers.

Shanghai Municipal Tax Service took the lead in promoting comprehensive application of blockchain in three major tax processing-related scenarios: social security payments, medical insurance payments, and real estate registration, establishing a new model for secure data sharing.

A light blue silhouette of the Shanghai skyline, featuring the Oriental Pearl Tower and various skyscrapers, set against a white background at the top of the page.

01

Chapter One

Supporting and Implementing National Strategies

Taxation remains the top priority of the country. Aligning with national strategies and being driven by reform and innovation, Shanghai Municipal Tax Service comprehensively advances tax governance modernization and continues to enhance its governance capacity, aiming to play a more important role in the establishment of the "Five Centers," coordinated regional development, and the green transformation of economic and social development.

Supporting the establishment and consolidation of the "Five Centers"

Shanghai Municipal Tax Service is firmly committed to advancing the Five Centers while continuing to improve its tax service efficiency. Shanghai Municipal Tax Service takes targeted measures to support key areas such as tax relief and fee reduction, foreign trade, investment and financing, shipping hubs, and technological innovation. In response to the new situations of economic development, Shanghai Municipal Tax Service takes proactive actions by being bold in exploration, taking the initiative and shouldering responsibilities. Shanghai Municipal Tax Service provides robust tax support to achieve stable growth, adjust structure, and promote development of Shanghai's economy. Through practical actions, Shanghai Municipal Tax Service has made great contributions to the steady advancement of Shanghai's high-quality development.

Effectively implementing tax relief and fee reduction packages to foster healthy economic growth

Firmly implementing the decisions and arrangements of the CPC Central Committee and the State Council, Shanghai Municipal Tax Service took solid steps to implement tax relief and fee reduction packages and prioritized on technological innovation and the development of the manufacturing sector, better promoting high-quality development.

2024



Shanghai provided policy support for technological innovation and the manufacturing sector through tax & fee cuts and tax refunds amounting to:

183.06 billion yuan



Continuation of tax incentives in 2024

Continuing tax reduction and exemption for small-scale VAT payers, small low-profit businesses and self-employed individuals

- Exempting "six taxes and two fees" for small-scale VAT payers, small low-profit businesses and self-employed individuals
- VAT exemption for small-scale taxpayers
- Tax incentives for SMEs and self-employed individuals
- Additional VAT deduction for advanced manufacturing companies, IC and machine tool manufacturers

Continuing support for companies to create and provide jobs

- Gradually reducing the unemployment insurance premium to 1%
- Continuing the unemployment insurance refunding policy to stabilize employment
- Cutting and exempting urban land-use tax in difficulty

.....



Scan the QR code for more tax incentives



New tax incentives

Enterprise income tax credits for digital and intelligent upgrading of facilities and equipment for energy and water conservation, environmental protection, and work safety

- For investments in the digital and intelligent upgrades made between January 1, 2024, and December 31, 2027, companies may qualify for a tax credit on the portion of the investment that does not exceed 50% of the equipment's original tax base at the time of purchase. This credit can be applied to offset the company's tax payable for the year at a rate of 10%. If the company's current year tax payable is less than the credit, the unused portion may be carried forward to offset future tax liabilities, with a maximum carry-forward period of five years.

Interim reduction of contribution rate to basic medical insurance for employees

- Under China's 2024 policy on interim reduction of medical insurance premium rates, the employer contribution rate for urban employee basic medical insurance will be reduced by 1 percentage point - from 10% to 9% - effective March 1, 2024 through February 28, 2025. The employer contribution rate for local supplementary medical insurance will be adjusted downward from 1.5% to 0.5%. This policy has been extended to February 28, 2026.

Property tax relief for corporate taxpayers in difficulty

- Since January 1, 2024, corporate taxpayers in Shanghai who pay property taxes and meet one of six conditions, such as having insufficient assets to cover all or matured debts and having been legally admitted to bankruptcy proceedings, or having idle property, may apply for property tax deduction if they actually face difficulties in tax compliance.

.....

Case

Tax Bonus Driving Small Household Appliance Companies to Achieve Transformation and Go Global

In recent years, Flyco Electronics has achieved product upgrades through technological innovation, gradually penetrating into the premium market. Its products are now exported to over 30 countries and regions, including the EU, Japan, the United States, and Russia.

"Sales of small household appliances such as health pots and humidifiers have recently shown a significant increase, thanks to the combined effect of economic stimulus packages and the trade-in policy," said Hu Ying, Chief Financial Officer of Flyco Electronics.

"Small household appliances carry significant value in industrial design, but market competition is intense. To stay ahead of competitors in this section, innovations are indispensable," Hu Ying added. The company's efforts in innovation and R&D have been strongly supported by tax authorities. "In 2024, we expect to enjoy more than 50 million yuan of tax liability thanks to the enterprise income tax reductions for high-tech companies. We are deeply grateful for this policy. Tax incentives serve as a catalyst for businesses like ours to increase investment in R&D and brand promotion. This not only secures more market opportunities but also fosters competitive advantages, thereby driving business growth."

Delivering efficient and quality tax services during the CIIE to facilitate international trade and exchanges

From November 5 to 10, 2024, the 7th CIIE was held in Shanghai at the National Exhibition and Exhibition Center. Over the past seven years, Shanghai Municipal Tax Service has been actively involved in providing services to ensure the smooth running of the CIIE both inside and outside the venue. It has continuously enhanced the refinement, intelligence and personalization of tax services, keeping in step with the development of CIIE.

Expanding the service taskforce

In 2024, 10 youth tax service teams were built in Shanghai, including 226 young officers.

Updating the Service Handbook

The 7th version of the *Bilingual Tax Service Handbook for the CIIE* was updated, with a new chapter on cross-border payments to meet the practical needs of participants engaging in global trade.

Advance preparation

By conducting on-site visits and investigations, and by utilizing big-data modeling to assess the invoicing and operational status of businesses near the National Convention and Exhibition Center, such as restaurants, hotels, and parking lots, during recent the CIIEs, tax authorities have ensured comprehensive invoice supply support, thereby relieving the concerns of participants.

Targeted services

A TaxExpress service station was built and run for the CIIE. Focusing on the key concerns around cross-border transactions, a handbook titled "*TaxExpress Q&As on Cross-Border Transactions*" was distributed at the station, aiming to provide participants with more targeted and practical tax policy inquiry and advisory services.

Case

The CIIE Empowering Businesses to Go Global with the Support of Accurate Tax Profiling

Zhenkunhang Industrial Supermarket (Shanghai) Co., Ltd. (ZKH) has attended the CIIE for six consecutive years, leveraging this high-level open platform to realize leapfrog development. In 2023, the company went public in the United States, with its GMV surpassing 11.1 billion yuan, representing an 18.1% year-on-year increase.

Chen Long, chairman and CEO of ZKH, said that Shanghai Municipal Tax Service has provided robust support for the company's growth. Shanghai Municipal Tax Service has conducted exclusive tax profiling for the enterprise and, through a tailor-made service, timely pushed preferential policies and targeted tax reminders, enabling businesses to fully enjoy tax incentives. Meanwhile, to support ZKH in expanding into overseas markets, Shanghai Municipal Tax Service has thoroughly analyzed the company's needs and provided precise coaching on tax issues that may arise in cross-border transactions, helping the company ward off tax risks in advance.

Extended services

Shanghai Municipal Tax Service has developed and implemented the "6+365" full life-cycle the CIIE service mechanism in Qingpu District, which extends the 6-day services to cover an entire year, ensuring prompt responses to the tax-related needs of the the CIIE Bureau and participants.

Multilingual inquiry

In addition to the original Chinese-English hotline (12366) for the CIIE and the intelligent English inquiry system, Shanghai Municipal Tax Service now provides Q&A services for foreign taxpayers, including Japanese, Korean, demonstrating its dedication to delivering international, convenient, and intelligent inquiry services.

Rights Protection

The "Optimal Tax Solutions" public lawyer studio, jointly established by the tax authorities of Qingpu (Shanghai), Wujiang (Jiangsu), and Jiashan (Zhejiang), has formed a cross-regional public lawyer team to closely monitor the progress of the CIIE. Operating under a "regular on-site presence and rotating duty" mechanism, the team swiftly and accurately responds to tax demands during the CIIE period, promotes dispute resolution, and fully safeguards the legal rights and interests of exhibitors, purchasers, and sellers.

Case

Providing a Whole Range of Tax Services in Different Districts

Minhang District Office has delivered the "the CIIE Pioneer" volunteer services along the axis from Hongqiao Transportation Hub, Hongqiao International Central Business District, to the National Convention and Exhibition Center for seven consecutive years, providing quality and efficient services for domestic and foreign exhibitors, including bilingual translation, route guidance and tax consultation.



Hongkou District Office has established a "Sticky Notes" service team to deeply engage with CIIE exhibitors, surveying their needs and promote taxation policy. By thoroughly understanding enterprises' needs, the team provides personalized tax policy coaching and tax-related services.

The "Green Lemon" urban youth volunteer service station, set up by **Changning District Office**, continues to enhance its building tax service by offering the latest tax policy and coaching to the CIIE participants.

Promoting tax and financial cooperation to support corporate financing and investment

Continuing tax incentives to support inclusive finance

Shanghai Municipal Tax Service has been continuously promoting the precise implementation of tax incentives for SMEs financing, driving the inclusive finance, easing the financing difficulty and high costs, thus boosting the growth of SMEs.

Stamp duty exemption

Till December 31, 2027, loan contracts signed by and between financial institutions and SMEs will be exempted from stamp duty.

VAT exemption

The interest income obtained by financial institutions from granting small loans to SMEs and self-employed individuals is exempted from VAT.

Tax-bank collaboration to address corporate financing difficulties

Shanghai Municipal Tax Service continues to strengthen cooperation with Shanghai Municipal Financial Regulatory Bureau to encourage banks and financial institutions to increase credit support for SMEs who have well fulfilled their tax obligations.





Enhancing cross-border tax services

Leveraging the TaxExpress initiative, Shanghai Municipal Tax Service has established and improved three major mechanisms to facilitate communications with taxpayers, provide tax services and resolve tax-related concerns, extending tax service to the full life-cycle of cross-border investment and operations.

01

Establishing comprehensive tax service centers for financial institutions handling cross-border transactions

Offering advance appointment, online services, and full guidance for cross-border service inquiry, tax filing, and reaping tax incentives

02

Building an all-round information service system to facilitate cross-border investment

Through online and offline coaching, discussions and themed salons, Shanghai Municipal Tax Service has communicated favorable tax policies to around 2,000 businesses "going global" to resolve cross-border tax issues.

03


Supporting taxpayers in preventing and controlling tax risks in cross-border investment and operations

Shanghai Municipal Tax Service released 110 market-specific investment tax guides, "Going Global" taxation guides, "Going Global" individual tax guidelines, and FAQs for cross-border taxpayers, helping them understand the tax environment of the host countries and legal remedies for tax disputes, ensuring tax compliance and minimizing risks.

Providing effective tax services to help build a global shipping hub

The port-of-departure tax refund expanded to cover land routes

Since the trial implementation tax refund policy for waterway ports of departure in 2012, Shanghai Municipal Tax Service has actively worked to extend the supportive policy to land routes. The policy document was officially released in late 2024, designating the Minhang Railway Station in Shanghai as one of the ports of departure. The departure ports include major ports on key routes of the Shanghai-Europe Railway Express such as the Erlianhot Port in Inner Mongolia. Exporters no longer need to wait until Customs declaration at the border; they can apply for rebates at the port of departure, further reducing financial burdens.



In 2024, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration jointly issued the *Notice on Expanding the Implementation Scope of the Port of Origin Tax Refund Policy*. Starting from December 1, 2024, export companies declaring at the port of departure, with container goods transported by China State Railway Group or its subsidiaries via railway transit directly to the exit port, are eligible for the port of departure tax refund policy.

2024

Shanghai-based exporters applied for export tax rebates under the port-of-departure policy, involving exports worth a total of **8.283** million USD and a total tax rebate (exemption) of **1.145** million yuan.



One local exporter has already received an export tax rebate of **38,000** yuan under the land-based port-of-departure tax refund policy.

Empowering sci-tech innovation centers with tax incentives, and developing new-quality productive forces

01

Tax incentives fueling innovations

Shanghai Municipal Tax Service continuously implements a wide range of tax incentives to support innovative businesses, proactively offering services and optimizing the tax declaration monitoring system to ensure that tax incentives are swiftly and accurately delivered. To boost sci-tech innovation, Shanghai Municipal Tax Service has compiled tax policy guides and operational manuals to facilitate innovative entities in understanding, comprehending, and querying tax and fee incentives, thereby promoting full and proper enjoyment of these policies.

In collaboration with Shanghai Municipal Finance Bureau, Shanghai Municipal Tax Service has compiled and released the *Guide on Major Tax Incentives for Sci-Tech Innovation in Shanghai*, which specifies the tax incentives to drive innovations across stages of innovation, including business start-up, talent cultivation, research and development, and outcome commercialization, while also listing the key industries.

In collaboration Shanghai Municipal Science and Technology Commission, Shanghai Municipal Tax Service has revised and issued the *Handbook of Shanghai Municipality on Pre-tax Deduction on R&D Expenses (2024)* to create the "multiplier effect" of tax incentives, including pre-tax deduction on R&D expenses.

2024

- High-tech businesses in Shanghai exceeded **24,000**.
- Pre-tax deduction on R&D expenses brought benefits to over **40,000** companies. The total deduction came to **384.29** billion yuan, marking a year-on-year increase of **16.7%**.
- Tax incentives brought benefits to over **3,000** high-tech companies, with the total tax reduction and exemption coming near **24.9** billion yuan, representing a year-on-year growth of approximately **2.1%**.

Case

Tax Bonus Accelerating Shanghai Mobile's Smart Infrastructure Construction

Since the advent of the 5G era, Shanghai Mobile has led the race in building "dual-gigabit" networks. It has completed the deployment of 5G-Advanced network along 200 kilometers of main roads in the central urban area and in key regions of Shanghai, the world's first large-scale commercial component carrier (3CC) network with a thousand base stations.

"Thanks to precise implementation of a range of tax incentives, our company has built a digital and intelligent integrated 5G infrastructure," said Chen Li, secretary of the CPC Committee, chairman, and general manager of China Mobile Limited (Shanghai). "The tax savings will be used to build new information infrastructure, including 5G networks, data centers, and cloud computing platforms, in order to improve network speed, expand coverage, and enhance data processing."

02

Conducting professional marketing to support businesses

On April 1, 2024, aiming to develop new quality productive forces, Shanghai Municipal Tax Service has launched the "Sci-Tech Tax Service", a branded initiative that delivers targeted, high-quality, and sustainable services throughout the full life-cycle of innovative sci-tech companies.

In collaboration with the provincial tax authorities of Hebei, Jilin, Shandong, Hubei, Guangdong, Guangxi, Chongqing, Xizang, and Gansu, Shanghai Municipal Tax Service has staged more than 110 "Sci-Tech Tax Service" events.



"Sci-Tech Tax Service" events are named Outstanding Government Open Events by the General Office of the Shanghai Municipal People's Government.

- **Tax talent cultivation in universities**

Shanghai Municipal Tax Service offers open tax-related courses to enable teachers and students with innovative aspirations to understand and master relevant tax knowledge.

Shanghai Municipal Tax Service sends tax mentors to universities to offer 1-on-1 and face-to-face coaching on tax-related issues.

Shanghai Municipal Tax Service has also organized immersive experiences for sci-tech innovation teams to intensify communication with tax authorities.

Shanghai Municipal Tax Service has conducted **23** "Sci-Tech Tax Service" campus events, engaging more than **1,600** faculty members and students.

- **Tax services to foster growth in industrial parks**

"Smart Tax Island" service stations have been established to provide companies in industrial parks with tax compliance support and remote assistance.

Establishing a dedicated team to resolve specific tax issues for companies within the park

Establishing versatile tax co-governance centers to address cross-departmental tax issues within industrial parks

Shanghai Municipal Tax Service has conducted **59** "Sci-tech Tax Service" events in industrial parks, reaching over **2,800** enterprises.

- **Empowering and accelerating business growth**

Shanghai Municipal Tax Service provides tax-related "health check-up" services to assess the operational status of sci-tech companies and mitigate tax-related risks.

Shanghai Municipal Tax Service provided advance ruling services to strengthen the certainty of tax policies for sci-tech companies.

Shanghai Municipal Tax Service continues to provide smart tax inquiry services, multilingual tax bonus bills, and other TaxExpress services to support the global expansion of sci-tech companies.

Promoting the "Sci-Tech Tax Service" Initiative Through Multiple Channels



Pudong new area tax office has delivered over 30 tax-related lectures in Zhangjiang and Lin-gang, addressing the core concerns of sci-tech companies. The office invited tax experts to deliver lectures in the industrial parks, as well as organizing various activities such as Government-Enterprise Forums and Tax-Enterprise Salons. By visiting companies and proactively understanding their needs, explaining tax policies and providing targeted guidance to them, the office provided substantial policy benefits on taxation to sci-tech companies in Zhangjiang and Lin-gang Special Administrative Area.

Huangpu District Office set a consultation desk at the Huangpu Integrated Enterprise Service Center, offering policy inquiry and publicity to sci-tech companies within the district. This initiative proactively integrated tax services into Huangpu District's efforts to drive sci-tech industry.



Yangpu District Office has continued to deepen its collaboration with Shanghai Technology Entrepreneurship Foundation for Graduates. Actively participating in the 14th Global Entrepreneurship Week Campus Center (GCC) Summit, the office provided tailored tax benefit lectures for nearly a hundred entrepreneur club leaders and aspiring entrepreneurs from universities across the country. Through face-to-face interactions, the office disseminated tax laws and explained tax preferential policies, providing targeted and refined tax services to young entrepreneurs.

Jing'an District Office worked together with the Second Inspection Bureau of Shanghai Municipal Tax Service to deliver a briefing session on tax policies to support sci-tech and innovation. Targeting 26 sci-tech companies in their start-up and growth phases, the briefing session provided a one-stop coaching, including policy briefings, risk analysis and on-site experience. It explained tax incentives to support technological innovation, such as additional deductions for R&D expenses and key points for corporate tax final settlement. Citing real cases, the briefing session also outlined tax risks for sci-tech companies. Additionally, it presented "bilingual benefit statements" with more details and more language options to 4 foreign and international trade companies.



Promoting taxation integration in the Yangtze River Delta

Proactively supporting the integrated development of the Yangtze River Delta at the request of STA, Shanghai Municipal Tax Service has stayed committed to breaking down geographical barriers, opening cooperation channels, and promoting the integration of tax services, enabling taxpayers in the Yangtze River Delta to access all services across regional borders.

Aligning the discretionary standards for tax administrative penalty in East China

On November 25, 2024, in collaboration with tax authorities from other provinces and cities in this region, Shanghai Municipal Tax Service formulated and released the *Discretionary Standards for Tax Administrative Penalty in East China*. This initiative aims to further regulate the exercise of tax penalty discretion and promote the alignment of regional law enforcement standards.

Re-aligning criteria for discretionary penalties on 55 tax-related violations across 7 categories



Cross-regional collaboration and exchange of public lawyers

Shanghai Municipal Tax Service signed the *MoU on the Integration of Government-Employed Tax Lawyers in the Yangtze River Delta* with the tax authorities of other provinces in this region. Through cross-regional integration of public lawyers, tax authorities can handle tax administrative penalties rapidly, addressing tax concerns on the Government Online-Offline Shanghai platform, including tax-related issues involved in bankruptcy cases, and enhancing the joint ability to handle complex and challenging cross-regional tax-related cases.



Case

The "Optimal Tax Solutions" Public Legal Officer Team Offering "Optimal Solutions" to Tax Disputes

On April 1, 2024, the tax authorities of Qingpu District in Shanghai, Wujiang in Jiangsu, and Jiashan in Zhejiang jointly established the "Optimal Tax Solutions" studio, a cross-regional public legal officer team. The studio, composed of public lawyers, legal advisors, and key service staff from three tax authorities, operates through a mechanism featuring regular on-site presence and rotational duty schedules. The studio provides one-stop services, including policy inquiry, dispute mediation, and the protection of taxpayers' rights and interests. The studio proactively employs legal means to promote dispute resolution, better safeguarding both the tax revenues of the State and the legitimate interests of taxpayers.



Optimizing tax services for businesses operating across borders

Shanghai Municipal Tax Service has established an international tax cooperation mechanism for companies based in the Yangtze River Delta.

Shanghai Municipal Tax Service has signed the *Framework Agreement on Enhancing International Tax Certainty in the Yangtze River Delta* with tax authorities of other provinces and cities in this region. The agreement establishes an international tax collaboration framework for the Yangtze River Delta, and fostered collaboration in eight key areas: joint tax knowledge learning, promoting tax service cooperation, enhancing coordinated tax supervision, strengthening research sharing, cultivating tax talent, resolving tax-related needs, managing protocol benefits, and coordinating headquarters economy service models.

Co-hosting TaxExpress government-enterprise exchange events

On October 29, 2024, together with Zhejiang Provincial Tax Service, Jiangsu Provincial Tax Service, Anhui Provincial Tax Service, and Ningbo Municipal Tax Service, Shanghai Municipal Tax Service held a government-enterprise communication event in Shanghai under the TaxExpress initiative. The event gathered more than 80 representatives from government Divisions, commerce chambers, multinational companies, and media.



At the event, government measures to support cross-border businesses and promote high-standard opening-up were introduced. Additionally, Alex Praustzh, chairman of the Finance and Taxation Working Group of the European Union Chamber of Commerce in China, was invited to deliver a keynote speech on the European tax system and investment environment.

Case

Qingpu District Office: Supporting Companies Based in the Yangtze River Delta in Making Cross-border Investments

Organizing seminars on cross-border tax affairs for taxpayers in the Yangtze River Delta: Qingpu District Office invited companies to join the cross-border Taxpayer Academy of the Demonstration Zone of Integrated Development in the Yangtze River Delta, proactively promoting preferential policies. For instance, foreign investors can defer taxes payable by reinvesting their profits, a means to encourage overseas parent companies to expand their investments in the demonstration zone. Driven by a combination of tax incentives, foreign shareholders are more confident in increasing their investments in China. These tax incentives have boosted the integrated development in the Yangtze River Delta.



Establishing the "Tax and Finance Office": This high-caliber international tax consulting team, comprising certified accountants, tax agents, public service lawyers, anti-tax avoidance specialists, and translators, proactively provides tax services for companies investing and operating across borders. Before investment, they'd provide tax-related support, deliver relevant policy information, and guide cross-border investors in tax preparation. During the implementation of investment projects, dedicated cross-border policy consultants would issue reminders and provide follow-up coaching. After the projects are complemented, by surveying tax-related issues, they'd draw up a detailed problem list for each company, monitor the resolution progress, and promptly provide policy guidance and customized solutions to cross-border companies.

Pursuing innovation and supporting the development of Pudong New Area

Shanghai Municipal Tax Service has worked to promote the development of Pudong New Area by implementing innovative policies, including preferential stamp duty for offshore trade to lower the operational costs for multinational companies involved in offshore trade. Focusing on key industries, Shanghai Municipal Tax Service has injected strong momentum into the development of Pudong by implementing enterprise income tax incentives to enhance industrial clustering.

Pioneering the implementation of the preferential stamp duty policy for offshore trade

In February 2024, the Ministry of Finance and STA announced that from April 1, 2024, to March 31, 2025, offshore intermediary trade contracts signed by companies registered in the China (Shanghai) Pilot Free Trade Zone and the Lin-gang Special Area will be exempted from stamp duty.

Shanghai Municipal Tax Service has promptly announced this preferential tax policy and its implementation plan, surveyed the offshore trade companies in the Free Trade Zone, and conducted joint policy interpretation together with multiple Divisions, thereby expanding the public awareness of this policy.

Implementing the first pilot of preferential stamp duty policy for offshore trade in China



The interpretation of the stamp duty policy for offshore trade was recognized as an Outstanding Case of Policy Interpretation of Shanghai in 2024.

By the end of 2024,

Stamp duty reduction and exemption: **140** million yuan

Beneficiary companies: **352**

Scan the QR code to view the original Departure Stamp Duty Incentive Policy

Implementing tax incentives for key industries

Shanghai Municipal Tax Service has continued to implement enterprise income tax incentives for key industries in the Lin-gang Special Area, further enhancing the industrial clustering effect.

For companies engaged in four key industries including integrated circuits, artificial intelligence, biopharmaceuticals, and civil aviation within the Lin-gang Special Area, a reduced enterprise income tax rate of 15% will be implemented for five years from the date of incorporation.

By the end of 2024

Enterprise income tax reduction:

4,270 million yuan

Benefited companies in the four key

industries: **42**

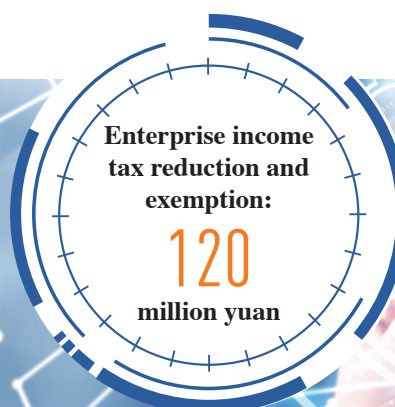
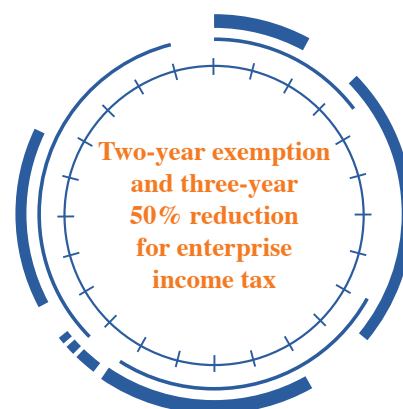


Scan the QR code to
view the Preferential
Eligibility
Administration

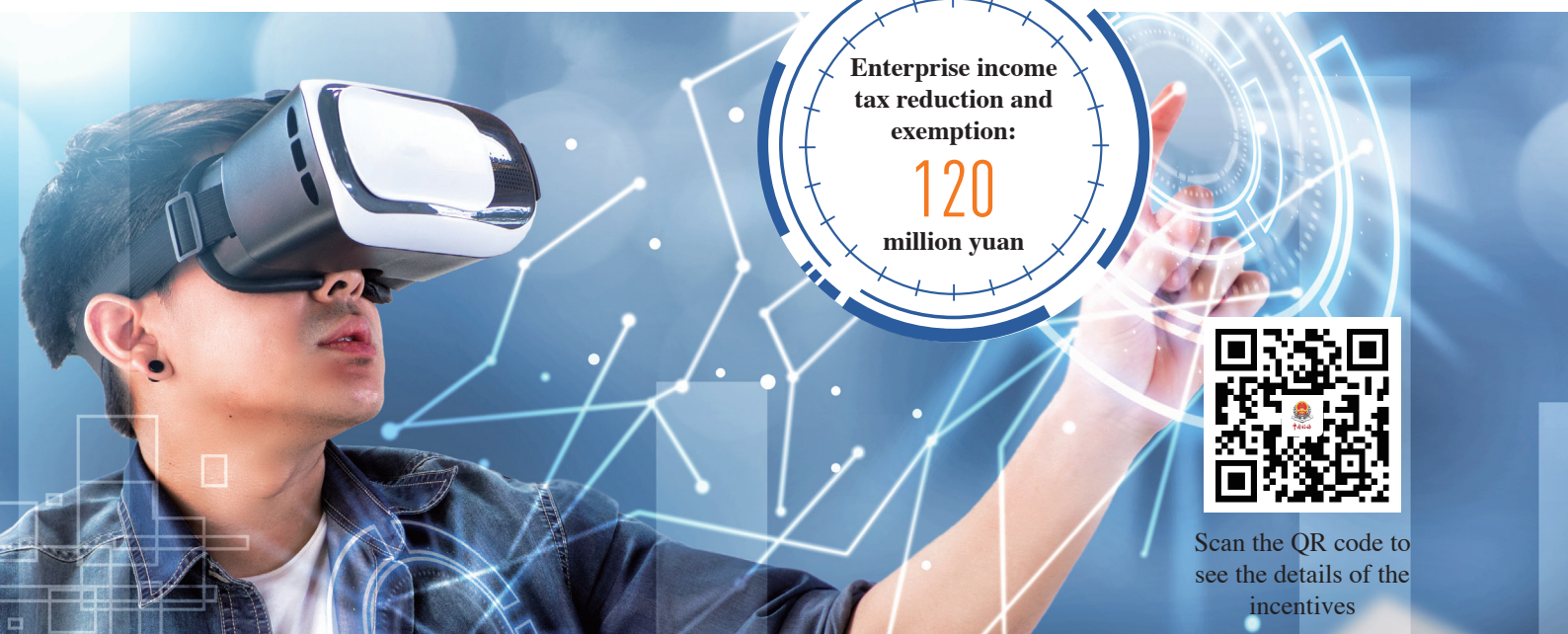
Implementing tax incentives for hi-tech companies

Shanghai Municipal Tax Service implements a favorable enterprise income tax policy that periodically exempts or reduces taxes for newly-established high-tech companies in special economic zones and Pudong New Area. This will drive the growth of new technologies and foster new business models in these regions.

High-tech companies, supported by the state and registered in Pudong New Area on or after January 1, 2008, are eligible for enterprise income tax exemptions for the first two years and a 50% reduction (at a rate of 12.5%) for the next three years, starting from the tax year of receiving their first operational income.



Scan the QR code to
see the details of the
incentives



Building a green tax governance framework

Pursuing green development, Shanghai Municipal Tax Service has implemented green taxes to strengthen environmental awareness, enhance energy conservation and emissions reduction, and promote the development and intensive utilization of land resources. By accurately delivering tax incentives for green development, Shanghai Municipal Tax Service has encouraged companies to prioritize green development, supporting their high-quality and sustainable development.



Since the implementation of the *Environmental Protection Tax Law* seven years ago, Shanghai has granted cumulative reductions and exemptions of environmental protection taxes totaling approximately 2,500 million yuan.

Proactively supporting the national carbon emissions market

Shanghai Municipal Tax Service proactively supports the national carbon emissions market, strengthens carbon tax collection and administration in ways to encourage companies to reduce carbon emissions, and lays a solid foundation for the robust growth of the carbon market.



2024

- Shanghai took the lead in completing the compliance obligations for national carbon emissions trading market in 2023.
- Carbon emissions allowances have been paid ahead of schedule for three consecutive years.
- Carbon emissions allowances have been paid in full for 11 consecutive years.

Implementing the pilot reform of the water resource tax

The Ministry of Finance, the Ministry of Water Resources and State Taxation Administration (STA) jointly issued the *Implementation Measures for the Pilot Reform of Water Resource Tax* in October 2024, specifying the comprehensive implementation of the water resource fee-to-tax conversion pilot scheme effective from December 1, 2024.

In collaboration with Shanghai Municipal Finance Bureau and Shanghai Water Authority, Shanghai Municipal Tax Service has issued the *Notice on Relevant Matters Concerning the Pilot Reform to Levy Water Resource Tax in Shanghai* and released the *Shanghai Table of Water Resource Tax Rates*, which also specifies the tax standard, tax locations and tax deadline of water resource tax. Shanghai Municipal Tax Service has also produced and distributed policy publicity manuals for the water resource tax reform pilot program, specifically addressing taxpayers' inquiries regarding revenue source identification, tax declaration procedures, and other related matters.



Scan the QR code to view details of the *Notice on Relevant Matters Concerning the Pilot Reform to Levy Water Resource Tax in Shanghai* and the *Shanghai Table of Water Resource Tax Rates in Shanghai*.



Scan the QR code to see the interpretation of the *Notice on Relevant Matters Concerning the Pilot Reform to Levy Water Resource Tax in Shanghai*.

Collaboration mechanisms for environmental protection tax collection and administration

Working together with the environment protection authorities, Shanghai Municipal Tax Service has established a collaboration mechanism for environmental protection tax administration, covering tax collection and administration, company filing, environmental monitoring, information sharing, and collaborative services. An online tax information sharing platform has been launched. The platform has helped realize closed-loop management by enabling information matching between the environment protection and tax authorities before tax levy, controlling the tax source during tax levy, and conducting reviews after tax levy, which greatly improves the quality and efficiency of environmental protection tax administration.

Case

Environmental Protection Tax Encouraging Companies to Save Energy and Reduce Emissions

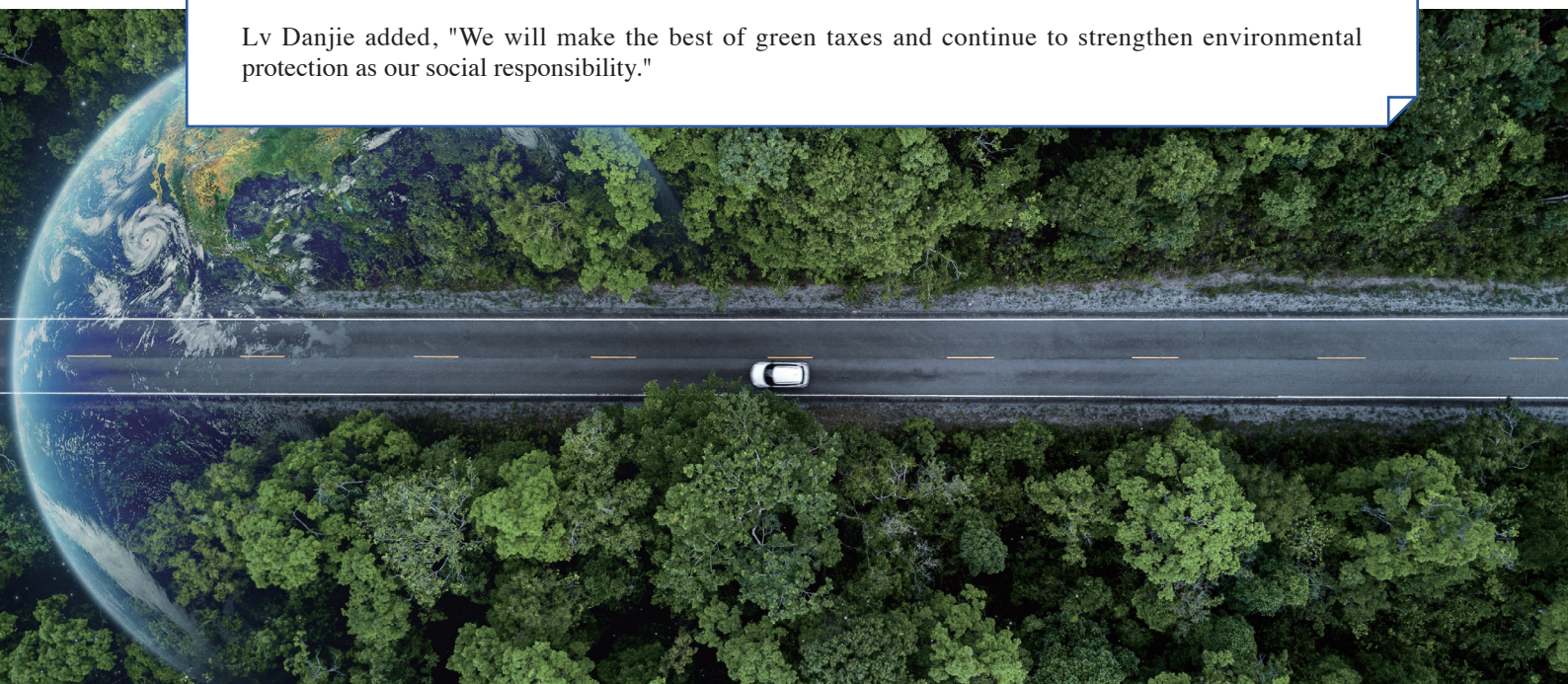
Shanghai Huaфон Aluminium Corporation is a leader in China's aluminum heat transfer material industry. "The aluminum industry has long been recognized as a major contributor to global carbon dioxide emissions." Under the carbon peaking and carbon neutrality goals, companies can only achieve their transformation and growth goals by taking the initiative to advance environmental protection, said Lv Danjie, head of the company's safety and environmental protection Division.

When discussing the company's exploration of intelligent and ecological development, Lv Danjie added, "Tax incentives have played a catalytic role." Motivated by the positive incentives of the environmental protection tax, Huaфон Aluminium has invested nearly 2 million yuan in upgrading the dust removal equipment in its workshops.

"The original paper cutting process generated a large amount of paper dust. Now the new process has achieved centralized collection, treatment, and disposal of paper dust, significantly reducing the concentration of particulates in the workshops," said Lv Danjie. "Currently, the concentration of air pollutants emitted from our discharge sites is below 50% of the emissions standard. "Therefore, our environmental protection tax savings have increased year by year."

Huaфон Aluminium has used the tax savings to boost clean energy development. "We have installed over 23,000 photovoltaic panels of 124,000 square meters on the unused rooftop," said Lv Danjie. Currently, this distributed photovoltaic project, with an investment of 50 million yuan, has been fully operational and connected to the power grid, with an expected annual electricity generation of 12 million kilowatt-hours.

Lv Danjie added, "We will make the best of green taxes and continue to strengthen environmental protection as our social responsibility."





Promoting and implementing green tax incentives

Green tax law publicity

Provincial tax authorities of Shanghai, Hubei, Shandong, Guizhou, and Qinghai jointly staged a livestreaming event themed "Share Green Tax Knowledge Amidst China's Natural Beauty" to promote green tax laws. During this event, the Environmental Protection through Taxation Declaration was signed and issued.

Total views: Over **2.2** million

Green tax policy coaching

Targeted green tax policy coaching and services were provided to boost the green transformation of companies.

In 2024, targeted delivery of information on green tax incentives came to **7,631** times

Case

Huangpu District Office: Full-Process, Tailored Coaching to Promote Green Development of Enterprises

CSIC Shanghai Marine Energy Saving Technology Co., Ltd. (CMES-Tech), a leading Specialized and Innovative Enterprise (SIE), provides shipowners and shipyards with systematic solutions and professional services for maritime energy conservation and emissions reduction. By September 2024, CMES-Tech's technology had been used on over 2,000 commercial ships, achieving 3% to 12% energy efficiency gains. This means annual savings of over 400,000 tons of main engine fuel, with fuel cost down more than 2,000 million yuan and CO₂ emissions down more than 1.2 million tons, showing remarkable energy-saving and emission-reducing results.

Huangpu District Office assigned a dedicated tax personnel to each enterprise, offering full-process, tailored coaching that includes policy interpretation, case-specific guidance, and risk alerts.

"Tax incentives make a strong support for us, from developing core products and securing patents to applying for local and national scientific research grants," said Mr. Huang, head of a company. He added that in 2024, his company has received export tax rebates of 2.79 million yuan and additional deductions for R&D costs of 15 million yuan.

A light blue silhouette of the Shanghai skyline, featuring the Oriental Pearl Tower and various skyscrapers, set against a white background at the top of the page.

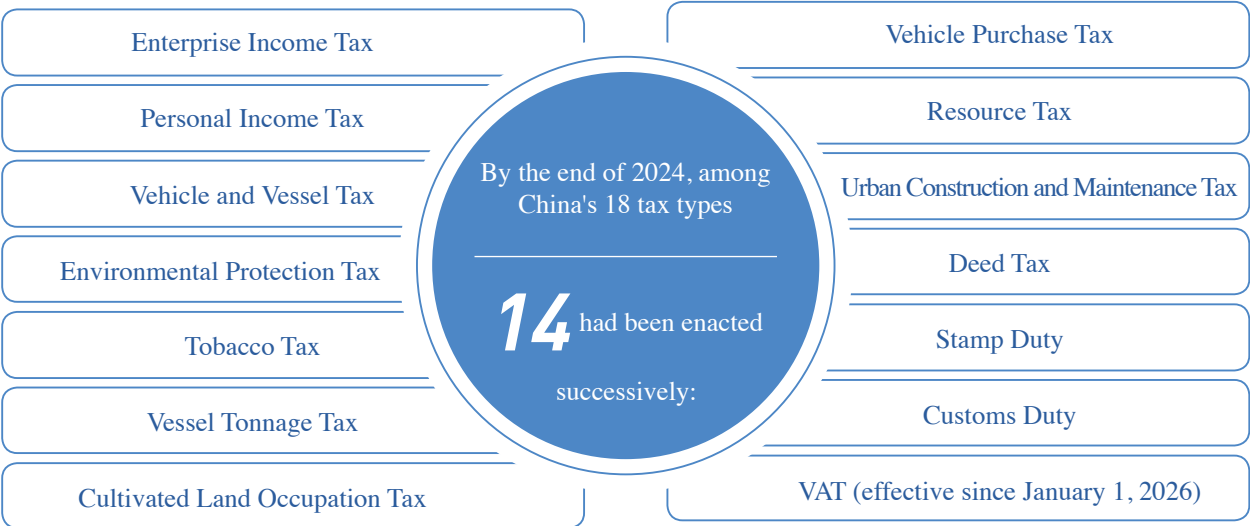
Chapter Two

Promoting Good Tax Governance and Enforcing Tax Law

Law is the highest form of justice. Shanghai Municipal Tax Service has always adhered to leading the modernization of tax governance with the mindset of rule of law, integrating the spirit of the rule of law into all aspects, including institutional enhancement, tax enforcement, dispute resolution, and tax law publicity. This approach creates a fair tax environment and sets a benchmark for law-based tax governance in the new era.

Enhancing the institutional framework to create a law-based tax environment

Tax law is the cornerstone of tax governance. Shanghai Municipal Tax Service has built a robust and efficient tax governance framework through a series of institutional initiatives, such as improving normative document management and updating the advance tax ruling mechanism. These steps highlight its commitment to law-based tax governance and provide solid institutional support for tax governance modernization.



Strengthening the management of normative documents and improving the tax legal system

Shanghai Municipal Tax Service strictly follows the *Procedures of Shanghai Municipality on the Drafting of Normative Documents on Taxation* during the drafting, review, adoption, issuance, registration, re-evaluation, and clean-up of tax-related normative documents.

Working towards rational, democratic, and law-based decision-making

01

Shanghai Municipal Tax Service has opened a "Major Administrative Decisions" section on its official website, through which it publishes the annual Directory of Major Administrative Decisions. Prior to issuing normative documents that might affect the operations of taxpayers, Shanghai Municipal Tax Service actively solicits public opinions, gives publicity to the collection and adoption of public feedback, and shares the deliberation outcomes from relevant meetings. The 2024 Directory includes the *Announcement on Matters related to Piloting Preferential Stamp Duty Policies for Offshore Trade in the China (Shanghai) Pilot Free Trade Zone and the Lin-gang New Area* and the *Announcement on the Release of Tax Administrative Penalty Discretionary Benchmark in East China*.



Scan the QR code to view the "Major Administrative Decision-Making" section

Implementing a review system to protect the legitimate rights and interests of taxpayers

02

Shanghai Municipal Tax Service reviews normative documents to ensure there is no reduction of rights and interests of taxpayers or increase their burdens.

Utilizing multiple channels to collect public opinions and improve the validity of administrative decisions

03

Shanghai Municipal Tax Service integrates the public participation across all stages of policy formulation, fully heeding the comments of taxpayers and experts to guarantee that policies meet practical needs.

Responding sensitively to public feedback to foster a strong atmosphere of rule of law

04

The public can view and share opinions on draft documents open for public discussion on the website of Shanghai Municipal Tax Service. Shanghai Municipal Tax Service actively adopts reasonable suggestions from the public and announces the outcome of public participation in decision-making, giving prompt feedback.



Case

Public participation and feedback on the Announcement on Matters related to Piloting Preferential Stamp Duty Policies for Offshore Trade in the China (Shanghai) Pilot Free Trade Zone and the Lin-gang New Area

Form and time of public participation: Shanghai Municipal Tax Service website invited public opinions from February 29 to March 15, 2024.



Conducting a comprehensive review and clean-up of tax-related normative documents to ensure consistent enforcement

Clean-up is crucial for normative documents management. Shanghai Municipal Tax Service is dedicated to standardizing tax enforcement and enhancing the transparency of enforcement procedures. After launching a citywide clean-up of normative documents, Shanghai Municipal Tax Service issued the *Announcement on the Outcome of Tax Normative Documents Clean-up*.

Clean-up outcome



Documents remaining fully valid:

96



Documents fully repealed or expired:

24



Documents with some clauses repealed or obsolete:

43

Scan the QR code to view



the Directory of Fully Valid Tax-related Normative Documents



Establishing and improving the advance tax ruling mechanism from time to time to enhance the certainty and applicability of tax policies

信息公开选项：主动公开

国家税务总局上海市税务局办公室文件

沪税办发〔2023〕33号

国家税务总局上海市税务局办公室关于印发 《上海市税务局税收事先裁定工作 管理办法（试行）》的通知

国家税务总局上海市各区税务局、国家税务总局上海市税务局各
税务分局、各稽查局、市局机关各处室、各事业单位：

为进一步规范全市税收事先裁定工作，增强税收政策适用的
确定性，市局结合上海实际制定了《上海市税务局税收事先裁定
工作管理办法（试行）》，现印发给你们，请遵照执行。执行中如
有问题，请及时向市局反馈。

特此通知。

国家税务总局上海市税务局办公室

2023年12月29日

— 1 —

Shanghai Municipal Tax Service collects businesses' advance ruling demands, provides advance ruling services based on applications, and ensures smooth ruling through all stages, from acceptance, communication, ruling, disclosure, to publicity, through coordination and collaboration. Shanghai Municipal Tax Service has achieved remarkable outcomes in promoting advance tax ruling, as the first provincial tax authority in China to publish advance tax ruling cases on its website.

By the end of
2024

Shanghai Municipal
Tax Service had
published **3** advance
tax ruling cases

Scan the
QR code to view
the "Advance Tax
Ruling" section



01 Tax Treatment for Bankruptcy Restructuring Issues Case

Scan the QR code to
view case details



02 Special Tax Treatment for Enterprise Income Tax Case

Scan the QR code to
view case details



03 Tax Treatment for Land Use Right Revocation Case

Scan the QR code to
view case details



Three major innovations in advance tax ruling

01

Upholding fairness and openness to protect taxpayers' rights

Transparent process

Shanghai Municipal Tax Service clarifies the targets, scope of application, procedures, and follow-up matters of advance tax ruling, setting a precedent among China's provincial tax authorities;

Written notice

Shanghai Municipal Tax Service issues a written *Notice of Advance Tax Ruling* to confirm the tax compliance of businesses' future business decisions and transactions, thus mitigating their tax risks.

02

Providing professional, standardized and efficient services

Multiple application channels

Companies can submit applications through their principal tax authorities, either via paper or electronic documents;

Innovative work mechanism

Shanghai Municipal Tax Service has developed a work mechanism that features "efficient coordination by the large-enterprise Division, integrated application acceptance by municipal and district-level tax authorities, joint analysis by different Divisions, and escalated deliberation by the municipal bureau" to enhance tax service efficiency.

03

Promoting tax compliance through advance communication and coaching

Strengthening tax-enterprise interaction

Tax authorities can proactively intervene in the evaluation of complex tax-related issues, assisting companies in minimizing tax risks and fostering mutual trust between tax authorities and enterprises, cultivating a harmonious environment for tax compliance;

Expanding the scope of services

To promote advance tax ruling, Shanghai Municipal Tax Service develops service packages and appoints chief liaison officers for key corporate taxpayers. Through regular communication, tax authorities can understand corporate taxpayers' business models and tax-related needs, thereby enabling them to provide targeted and dependable policy guidance.

Advocating prudence and inclusiveness to advance flexible tax enforcement

Tax enforcement should uphold legal authority while reflecting a humanistic approach. Shanghai Municipal Tax Service champions a philosophy of prudence and inclusiveness, implementing "the Three Measures" to realize non-coercive, persuasive tax enforcement and thus shape a modern tax governance system that balances enforcement and service. This gives taxpayers a sense of both reliability and warmth of tax enforcement.

Adopting "the Three Measures" to achieve tax enforcement uniformity

Shanghai Municipal Tax Service implements strict measures to maintain the transparency and consistency of administrative enforcement, recording the whole process of enforcement and conducting statutory reviews of major enforcement decisions to further regulate tax enforcement.

Promoting non-coercive tax enforcement to enhance flexibility

Shanghai Municipal Tax Service introduces non-coercive enforcement for 6 tax matters, offering proactive and preemptive tax services, enhancing the precision of responses, and increasing enforcement flexibility.



Implementing "persuasive tax enforcement" to increase credibility and reliability

Shanghai Municipal Tax Service is spearheading tax enforcement reform to realize proactive persuasive enforcement, representing a shift from conventional penalty-centered methods to an education-oriented approach. By providing clear explanations and targeted coaching throughout the enforcement process, Shanghai Municipal Tax Service aims to reduce confrontation, foster cooperation between tax authorities and corporate taxpayers, creating a relationship of trust that benefits both sides.

Optimizing document templates to include persuasive content

Shanghai Municipal Tax Service has adapted the format of tax enforcement documents for penalties and assessments by adding sections dedicated to evidence-based persuasion. These sections, along with the full-process recording of tax enforcement in "the Three Measures", guarantee the completeness of details, rigorous evidence analysis, explanations of administrative discretion, and consideration of the target taxpayers' opinions.

Introducing "persuasive tax enforcement" into adversarial hearings

For complex and significant cases, Shanghai Municipal Tax Service holds adversarial hearings before making administrative decisions. This allows for thorough cross-examination and argument to clarify case details and ensure fair decisions. Specifically, Shanghai Municipal Tax Service organizes discussions between tax inspectors and concerned taxpayers, with both sides presenting evidence and arguments, about facts and legal applicability.



Case

The Third Branch of the Tax Audit Bureau of Shanghai Municipal Tax Service: Persuasive Enforcement Building a Balanced Tax Auditing Model

The "Wang Taihong Model Worker Innovation Studio" of the Third Branch of the Tax Audit Bureau is the first model innovative tax audit office in Shanghai. The Studio adopts a tax enforcement approach that integrates service into the auditing process. It innovatively implements a new model, which integrates the roles of tax inspectors, tax researchers, and tax law promoters. This integration elevates both the flexibility and effectiveness of tax enforcement.

During inspections, the Studio highlights tax policy interpretation and persuasive methods. It distributes free materials like CDs and brochures that clarify complex tax policies, communicate effective cases, and explain the basis for enforcement. The Studio also surveys taxpayers' compliance status for the purpose of resolving practical issues. In Tax Publicity Month events, the Studio conducts extensive outreach by visiting industrial parks and commercial zones, which aims to enhance public awareness of tax laws, communicate tax incentives, assist corporate taxpayers in overcoming their difficulties, and help improve tax law compliance.

To address corporate taxpayers' credit issues, the Studio merges tax audit with taxpayer support and service. After inspections, the Studio promptly walks taxpayers through credit restoration and provides full-process tracking, thereby enabling them to get rid of historical burdens and resume normal operations. By applying a tax enforcement approach that balances strictness with flexibility, the Studio helps enhance taxation fairness and business sustainability.

Using multiple mechanisms to realize effective tax-related dispute resolution

Guided by the "Fengqiao Experience", Shanghai Municipal Tax Service has established a comprehensive diversified framework for resolving tax disputes. By enhancing grassroots governance, innovating administrative reconsideration mechanisms, and creating China's first specialized tax tribunal, this framework integrates prevention, mediation, reconsideration, and litigation, aiming to effectively resolve tax disputes, boost enforcement credibility and reliability, and foster a harmonious and inclusive tax environment.

Drawing on the "Fengqiao Experience" to proactively resolve tax disputes at the early stage

Shanghai Municipal Tax Service has deepened and expanded the application of the "Fengqiao Experience" in tax service. To address taxpayers' and payers' urgent needs and difficulties, Shanghai Municipal Tax Service has taken effective, standardized and collaborative steps to foster an innovative grassroots tax service environment.

Case

Hongkou District Office: Multi-party Cooperation to Build an Integrated Prevention and Mediation Mechanism

The First Tax Office of the Hongkou District Office has set up a "Support Studio" with a diversified team of specialists in enterprise income tax, personal income tax, goods and services tax, and tax collection management. This team, in collaboration with other government Divisions such as the Hongkou District Commerce Commission and Hongkou District Finance Bureau, visits corporate taxpayers. For companies aiming at IPO overseas via implementing red-chip structures, the team analyzes potential tax risks in areas including mergers and acquisitions, share transfer, dividend distribution, and equity incentives.

The Hongkou District Office and the Hongkou District Federation of Industry and Commerce have launched a collaborative service plan for private companies, implementing optimized mechanisms such as direct service, rapid response, and regular consultations. The Hongkou District Office has established a multi-stakeholder prevention and mediation mechanism for tax-related disputes in collaboration with Hongkou District government agencies, such as Hongkou judicial authorities, public security agencies, educational institutions and other relevant entities. They have jointly built a diversified prevention and mediation mechanism for tax-related issues, fostering a favorable tax environment.



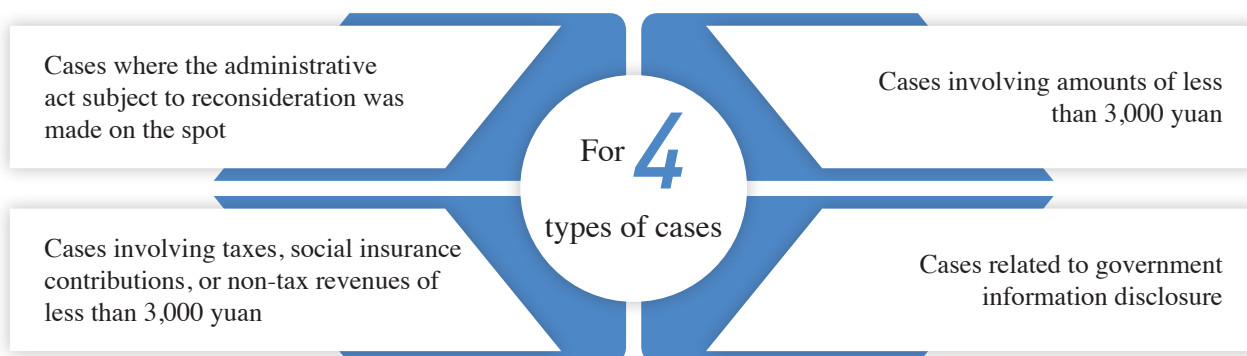
Optimizing administrative reconsideration as the primary channel to handle disputes

Refining administrative reconsideration simplified procedures and processing mechanism

In April 2024, ahead of other provincial tax authorities of China, Shanghai Municipal Tax Service introduced simplified administrative reconsideration procedures over tax affairs aligning with daily practices. It defines case eligibility, streamlines procedures, specifies procedure conversion requirements, and achieves quick processing of simple cases after effective classification.



Scan the QR code to view *Provisions on Simplified Administrative Reconsideration Procedures in the Tax System of Shanghai (Trial)*.



The processing period has been shortened from 60 days to **30** days

Exploring online tax administrative reconsideration

Shanghai Municipal Tax Service continues to optimize tax administrative reconsideration with online pre-filing service. Taxpayers can access the E-Tax Service, go to sections "I Want to Handle Tax Affairs" - "Legal accountability and relief" - "Reconsideration application management", and apply for or check the status of administrative reconsideration without having to manually fill out complex forms.



Reconsideration and litigation cases handled in accordance with law

By improving administrative reconsideration mechanisms and inter-Division coordination, Shanghai Municipal Tax Service strengthens supervision over illegal or improper tax administrative acts, enhances case-by-case correction and oversight, integrates mediation throughout the administrative tax reconsideration process. The aim is to resolve disputes efficiently and substantially.



China's first tax tribunal was established to guarantee judicial fairness over tax matters

In February 2024, Shanghai opened China's first dedicated tax tribunal, a significant step in centralizing jurisdiction over tax administrative cases. This approach not only enhances the credibility and reliability of tax enforcement through professional adjudication but also strongly supports the development of a fair tax environment.

The Shanghai Railway Transport Court centrally adjudicates administrative cases of first instance in Shanghai with the tax authority as the defendant

By the end of 2024, cases handled:

81

Shanghai No. 3 Intermediate People's Court centrally adjudicates administrative cases of first instance with the tax authority as the defendant, and administrative cases of second instance with the tax authority as the appellee or appellant originally under the jurisdiction of the pertinent intermediate people's courts of Shanghai

By the end of 2024, administrative cases of first instance handled:

4

administrative cases of second instance handled:

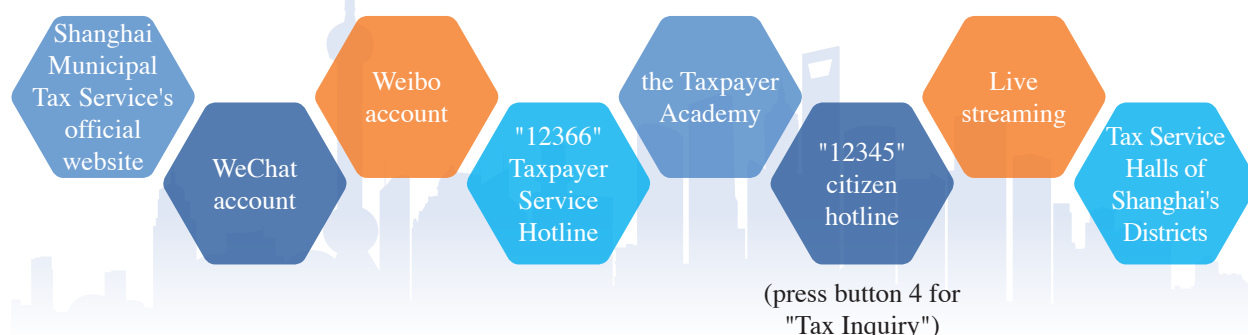
28

Diversifying tax law publicity approaches to create a transparent tax environment

Shanghai Municipal Tax Service is dedicated to offering taxpayers authoritative, clear, and convenient tax coaching and strengthening policy transparency. This is achieved by promoting the interpretation and awareness campaigns to publicize tax policies through diverse channels and forms, building a tax publicity matrix, updating tax law dissemination methods, and releasing internal and external tax guidelines.

Multiple channels for tax policy disclosure and interpretation

Shanghai Municipal Tax Service is steadfastly advancing administrative transparency. It formulates and interprets tax policies under the principle of simultaneous drafting, review, and release. Moreover, Shanghai Municipal Tax Service promotes high-quality and efficient tax policy inquiry through multiple channels.



2024

Shanghai Municipal Tax Service's Website

Total news posted

4,084

Clicks

3.3 billion

New media accounts

Tax news posted

3256

Views

38 million

Q

Official website: Publicly available FAQs about tax policy

Policy interpretation

Taxation graphs

Answers to key questions



Scan the QR code to view the Shanghai Municipal Tax Service's Website



New media platforms enhancing tax policy accessibility and readability.

Shanghai Municipal Tax Service updates communication means and channels, embracing various new media accounts, and improves policy communication with faster updates and stronger visual and interactive appeals.

WeChat account



Followers: about **2.45** million

News posted: **1,241** Views: **9.5** million

The WeChat account provides information on tax regulations, supports tax policy inquiry, and offers convenient tax services.



Scan the QR code to view the
WeChat account

Weibo account



Followers: over **300,000**

News posted: **2,015**

Views: **28.6** million



Scan the QR code to view the
Weibo account

The "visualized" Taxpayer Academy builds a bridge for remote interaction.

In 2024, Shanghai Municipal Tax Service improved the operational quality and efficiency of the Taxpayer Academy by incorporating video viewing on mobile terminals, real-time Q&A, infographic browsing, and online interaction.

Livestreaming events: 127

Promotional videos: 72

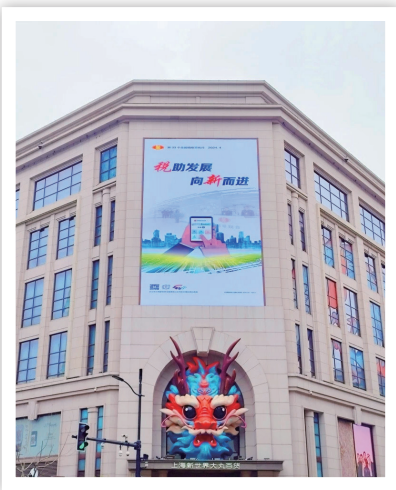
Infographics: 124

Views: 760,000



Using a combination of multiple channels and forms for tax law publicity

Shanghai Municipal Tax Service has initiated a "Screen Linkage" movement to disseminate tax service advertisements, promote themed slogans, and deliver promotional information on tax incentives across diverse daily life scenarios, thereby establishing an all-round tax law publicity and education network.



Forms	Coverage	Total plays
Outdoor billboards	72 screens at key urban landmarks and commercial districts	Over 900,000
Electronic screens on transport	Aircraft, ships, buses, subways, taxis	Over 37 million
Online life and social platforms	28 online platforms such as Didi and WeChat Moments	Over 3.5 million

Implementing high-quality tax law publicity education campaigns

Shanghai Municipal Tax Service fully utilizes major opportunities such as the Tax Publicity Month, the Government Open Month, and the Constitution Publicity Week, carrying out publicity campaigns with clear themes and attractive forms.

01

Tax Publicity Month

- **350** tax law publicity events were staged, targeting **1,880** companies and other organizations, with over **10,000** participants.
- **95** joint tax law publicity events were conducted in collaboration with various government divisions.
- **28** joint tax law publicity sessions were held with various industrial and trade associations.



02

Government Open Month

- **40** open-day events were organized
- Over **3,000** people, including taxpayers, media journalists and school students, were invited to these events.



03

Constitution Publicity Week

- Setting up "Constitution Study Hubs" in collaboration with judicial authorities in communities, at exhibitions, and in commercial districts to offer small-group legal education.
- Sharing prize-winning "Tax Officials Interpreting Tax Laws" videos on Bilibili, a platform favored by the youth, to boost teenagers' tax law awareness.
- Creating videos and new media content to explain the new water resource tax policy, with a total reach of 110,000 views.



Integrated disclosure of internal and external tax guidelines

Shanghai Municipal Tax Service discloses internal and external tax guidelines on its website, providing taxpayers with clear, authoritative, and convenient tax policy coaching to help them fully understand tax incentives and tax compliance procedures.

01

Online internal tax processing guides

Including tax processing procedures, internal tax processing manuals, and technical advice.
Scan the QR code to view the internal tax guide. >>>



02

Open online tax processing guides

Categorized information on tax processing guidelines, including reporting, invoice processing, tax filing, tax incentive applications, and certificate Processing.
Scan the QR code to view the tax processing guides. >>>



03

Open online tax policy guides

A categorized database of the latest tax policy documents, accompanied by explanations, visual guides, and FAQs to aid understanding.
Scan the QR code to view the tax policy guides. >>>



04

Online tax notices and announcements

A collection of notices and announcements related to tax services.
Scan the QR code to view notices and announcements. >>>



A light blue silhouette of the Shanghai skyline, featuring the Oriental Pearl Tower and various skyscrapers, set against a white background at the top of the page.

Chapter Three

Pioneering Digital and Smart Tax Governance

Driven by the surging digital tide, "smart taxation" is rising to new heights. Shanghai Municipal Tax Service, leveraging technological innovations, is advancing smart tax service. It is dedicated to enriching digital applications, enhancing cross-regional tax processing experience, and establishing a comprehensive and multi-dimensional smart tax service system. This pioneering effort is paving a new path for the modernization of tax governance.

Digital transformation: Launching the national standardized E-Tax Service

Under the overall instructions of STA, Shanghai has steadily launched the nationally unified and standardized E-Tax Service, with a comprehensive and clear operation guide issued. Taxpayers across China can switch to the new system effortlessly and enjoy better tax-related experience.

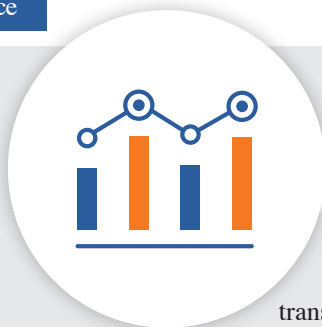
After the launch of the E-Tax Service

97%

of tax matters and

99%

of matters concerning tax filing can be fully processed online.



By the end of 2024

Covering **2,829,000** taxpayers in Shanghai.

Taxpayers have conducted over **43** million transactions via E-Tax Service, covering **127** tax matters, with operations running smoothly overall.

Intelligent pre-filing for tax returns

Shanghai Municipal Tax Service has made tax services smart and efficient via the online system, which offers three user-friendly tax declaration modes: filing by confirmation, supplementary filing, and traditional return filing.

The system will automatically recommend a declaration mode based on taxpayer profiling and tax data, so taxpayers don't need to choose.

Filing by confirmation



E-Tax Service, using tax data, intelligent tax calculation, and taxpayer profiling, offers taxpayers with simple tax needs an opportunity to file for VAT and surcharges, consumption tax and surcharges, enterprise income tax, and construction fees for cultural undertakings by merely clicking to confirm.

The system automatically extracts data, calculates taxes payable, and generates element-based sheets. Taxpayers confirm the calculation results, finishing the filing of multiple taxes with one click.

Scope of applicability: Taxpayers with simple tax needs

Method of use:

The system automatically pre-fills returns, and taxpayers can submit their declaration with one click after confirming that the data provided is correct. If taxpayers find the data incorrect, they can switch to the return-filling page by clicking "I Want to Fill in the Return" to shift to the return filling mode.

Supplementary filing



Scope of applicability: Taxpayers with relatively complex tax needs

Method of use: Taxpayers can quickly file their declaration by supplementing the system's pre-filled data with information like not-invoiced income, other deductions, input tax transfer-out, and tax credits. They must confirm the completeness and accuracy of both the pre-filled and supplementary data. If inconsistencies occur, click the edit box to modify the incorrect data.

Traditional return filing

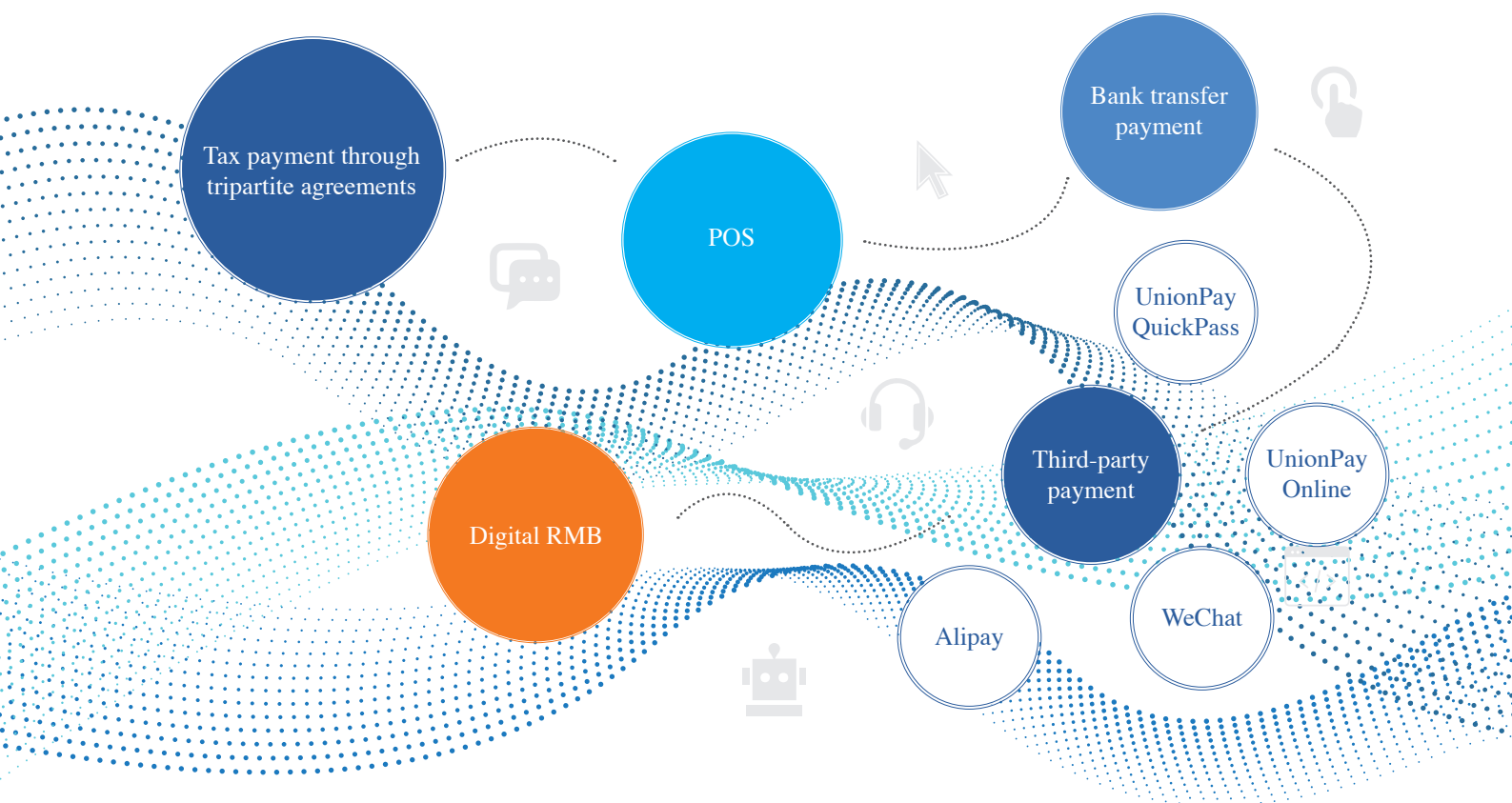


Scope of applicability: Taxpayers with complex tax needs

Method of use: This is the traditional filing mode. Taxpayers can directly enter the return filling page and fill in standard sheets for general taxpayers.

Multiple electronic tax payment methods

To improve the efficiency of tax and fee payment for corporate taxpayers, Shanghai Municipal Tax Service has added digital RMB as a new option.



Technological innovations: Nationwide application of FDEIs

As one of China's first pilot cities for using fully digital electronic invoices (FDEIs), Shanghai has been steadily advancing the project and achieved remarkable results. These years of successful implementation have not only improved the tax environment and boosted administrative efficiency, but also driven the digital transformation of economy and society. These achievements have paved the way for the nationwide application of FDEIs.

Direct link to the Natural System accelerating the digitalization of corporate taxation

Shanghai Municipal Tax Service has been actively enhancing direct linkages between tax authorities and companies by sharing access to the Natural System, providing large-scale, capital-intensive companies with direct link to the Natural System to promote the integration of their business, financial, and taxation operations.

Q What is direct link to the Natural System?

Direct link to the Natural System is an innovative approach to realizing smart taxation. It links the Natural System with companies' information system, and embeds taxation and invoicing rules into their systems, creating a direct tax-enterprise connection based on FDEIs, which brings new development opportunities to companies.

Q What is sharing access to the Natural System?

Sharing access to the Natural System is a service model where entities provide FDEIs and tax-related services like return filling to non-subordinates which operate on their own information systems.

By the end of 2024

There were **3,997** Natural System users across Shanghai.

About **577** million (**59%**) FDEIs had been issued via the Natural System in 2024.

"Reverse Invoicing" empowers renewable resource recycling industry

Shanghai Municipal Tax Service partners with mobile payment platforms like UnionPay, WeChat, and Alipay to launch an innovative "Reverse Invoicing" model, integrating payment, invoicing, and tax payment into a seamless process. When a payment is made, the system automatically generates an invoice, which then directly prompts tax payment, with funds going straight to the Treasury. This integrated approach not only makes invoicing more efficient but also enhances security, reducing the risk of errors or fraud.

"Reverse Invoicing"

Issuance of special invoices

Under the principle of consistency between tax calculation and deduction, resource recycle companies subject to general VAT calculation can deduct amounts on the special invoice. Additionally, these companies can deduct their purchase expenses for enterprise income tax before tax levy, further reducing their costs.

Issuance of general invoices

General invoices can serve as a pre-tax deduction voucher for enterprise income tax for resource recycle companies, effectively addressing issues in pre-tax cost deductions.

By the end of 2024

31 companies had successfully issued invoices through reverse invoicing.



Case

"Reverse Invoicing" Easing Burdens on Resource Recycle Companies and Boosting Their Profits

Shanghai Tianqiang Industrial Co., Ltd. specializes in waste plastic recycling and plastic particle production. In 2023, it recycled 15,000 tons of waste plastic and received over 5 million yuan of VAT refunds through the "VAT refund upon levy" policy for the resource recycle industry.

Hu Xichao, head of the company, said that they could get VAT invoices for waste plastics bought from companies conveniently, but individuals or small sellers cannot issue invoices, hindering input VAT credit and pre-tax cost deductions for enterprise income tax.

After the implementation of "Reverse Invoicing" in 2024, resource recycle companies can obtain special or general VAT invoices in compliance with relevant regulations. According to Hu Xichao, this policy has not only resolved companies' difficulty with VAT deduction and pre-tax cost deduction but also made relevant sales eligible for the immediate VAT refund upon collection, greatly benefiting companies.

Multiple measures: Facilitating cross-regional tax processing

Shanghai Municipal Tax Service, committed to service innovation, has created "Remote Virtual Windows" to satisfy the rising demand for cross-regional tax services. By simplifying tax jurisdiction relocation procedures, it removes geographical barriers, streamlines tax processing, and provides taxpayers with more efficient, convenient, and seamless tax service experience.

"Remote Virtual Windows" for online cross-regional tax processing

For matters that cannot be processed online, through recognizing taxpayers' needs, Shanghai Municipal Tax Service has established a cross-regional cooperation mechanism: "Remote Virtual Windows".

"Remote Virtual Windows"

By the end of 2024

"Remote Virtual Windows" support cross-regional taxpayers with multiple functions such as remote identity verification, document transfer, audio/visual interaction, and screen sharing for cross-regional tax processing, enabling visualized communication between taxpayers and tax officers without altering the enforcement authority, permissions, or tax matter process.

Shanghai Municipal Tax Service had processed more than

17,000

cross-regional tax-related matters, including over

6,000

cross-province matters.

01

Remote assistance for solving tax-related matters online

Through intelligent audio/video interaction, tax authorities can quickly respond to enterprise needs and provide online assistance, resolving tax-related issues like social insurance premium declarations. This one-stop integrated service enables taxpayers to handle tax matters from home.

02

Online interaction for handling cross-regional matters nearby

Through screen sharing and online multi-party interaction, taxpayers can complete cross-regional tax matters like tax clearance certificate issuance at the nearest tax service hall without traveling to the place of registration, saving significant time.

03

Data transmission empowering cross-provincial distant tax processing

Through online document submission and remote identity verification, taxpayers can claim passwords for individual income tax withholding and get tax types determined across provincial borders, making travel unnecessary.



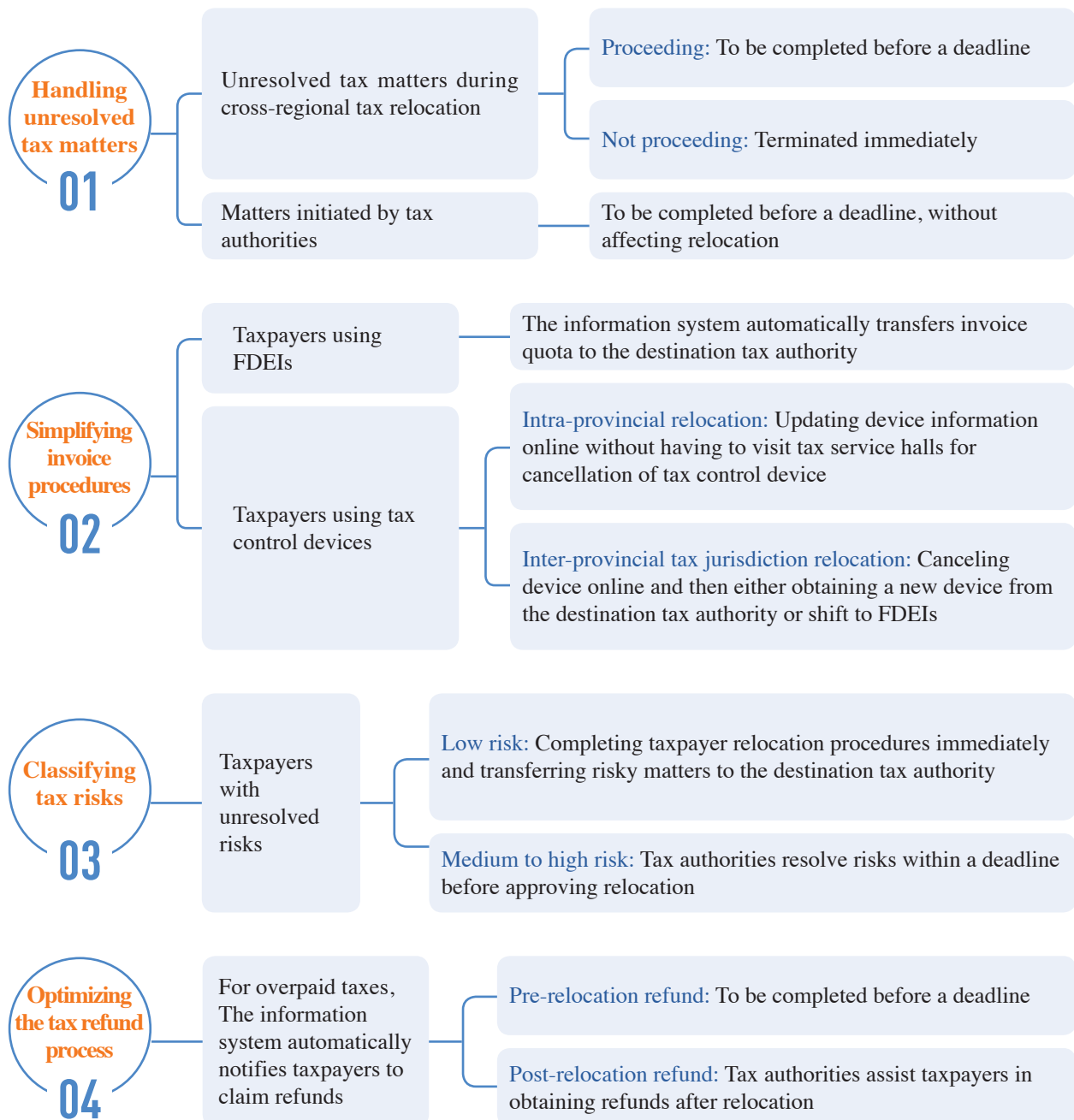
Scan the QR code to view news reports on "Remote Virtual Windows"

Innovative and streamlined tax Relocation

Optimizing advance alerts and guidelines

Leveraging cross-regional registration data sharing between market supervision and administration Division, tax authorities proactively push guidelines on handling tax matters related to cross-regional business relocation on platforms such as E-Tax Service, reminding taxpayers to review and complete any unresolved tax matters.

Speeding up tax-related matters in different scenarios



Continuous support to enhance post relocation services

Shanghai Municipal Tax Service provides one-stop relocation services to ensure the continuity of taxpayers' rights and qualifications, including their tax credit level, invoice quota, prepaid taxes, income tax loss carryforwards, VAT general taxpayer qualification and unclaimed input VAT. Additionally, taxpayers are assisted in resolving any unresolved tax matters prior to relocation.

Case

China's First Company to Achieve Seamless Cross-regional Taxpayer Relocation

In June 2024, Shanghai Heyouda Trading Co., Ltd. applied for taxpayer relocation to Hangzhou on the E-Tax Service platform. Shanghai Municipal Tax Service processed and approved the application online with necessary certificates. After a company completes the cross-provincial relocation procedures, the destination tax authority can review any document-tolerated matters or risk transfer items. Once both the origin and host tax authorities agree on the company's future tax liabilities, the relocation process is completed without requiring the company to visit either tax authority. Shanghai Heyouda Trading Co., Ltd. became the first Chinese company to successfully complete cross-regional taxpayer relocation using the "Flexible Document Submission" method.

Scan to view

The full text of *Notice on Further Facilitating Cross-region Relocation of Taxpayers to Serve the Building of a Unified National Market*



Scan to view

The Guide for Cross-region Relocation of Taxpayers

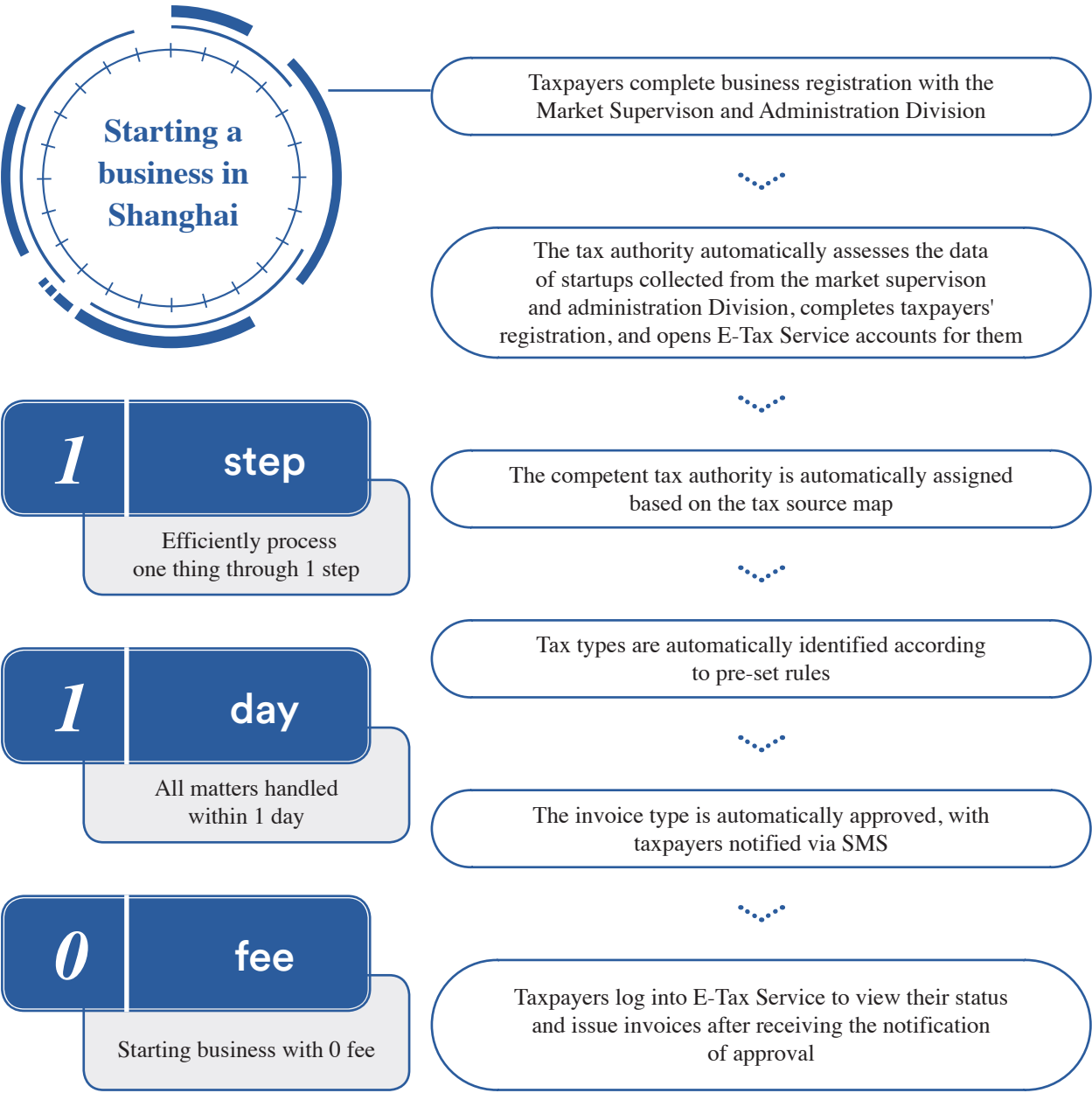


Intelligent upgrade: Strengthening inter-departmental collaboration

Guided by the principle of intelligent integration, Shanghai Municipal Tax Service has leveraged blockchain technology and intelligent sensing to establish a collaborative governance ecosystem involving multiple Divisions. Through these innovative measures, the Service has continuously broken down information barriers and streamlined administrative procedures, thereby delivering a more efficient, convenient, and intelligent digital service experience for taxpayers.

Automating registration for new businesses

Shanghai Municipal Tax Service has added the "Automatic Business Registration" feature on its E-Tax Service platform. It automatically picks up data of business startups from market supervision and administration Division and evaluates the associated risks. For businesses with no risk, it automatically registers them, opens E-Tax Service accounts, and assigns them to the competent tax authority. Based on pre-set rules, it also automatically determines applicable taxes and invoice types, enabling taxpayers to issue invoices immediately upon business registration.



Using blockchain technologies to enhance tax service efficiency

Shanghai Municipal Tax Service is exploring possibilities brought by blockchain to improve taxpayer service, enhancing efficiency and convenience.

By the end of 2024

345 tax matters had been placed on the Government Online-Offline Shanghai platform and **106** documentation requirements concerning **59** matters had been exempted from submission under the 'Two Exemptions' policy.

1

Blockchain plus property registration data

Seizing the trend of "Internet-based property registration", Shanghai Municipal Tax Service is pioneering blockchain-based property tax services. This strategy seeks to bolster information sharing and data integration between tax and property registration department, boosting the digitalization of the entire property transaction and registration process.

For non-residential property transfers between companies, tax authorities use blockchain technology and a shared database to obtain transaction details, complete tax reviews, and record payment data on the blockchain. This innovation facilitates a fully online property transaction and registration process, which includes online application submission, seamless data sharing, convenient online tax payment, and the issuance of electronic certificates.

2

Blockchain plus social and medical insurance payments

Enhancing data sharing, Shanghai Municipal Tax Service has been expanding the "blockchain for social and medical insurance payment" application, which involves 5 types of data interaction: urban and rural residents' social insurance contribution and premium payment, insurance registration for construction projects, as well as urban and rural residents' special pension contribution payment. It now serves 3.6 million urban and rural residents in Shanghai. Shanghai Municipal Tax Service has realized second-level data transmission sharing among social security agencies and tax authorities on the blockchain. This allows residents to declare and pay their contributions via tax channels right after registration, which has raised the data transmission speed and enhanced their satisfaction.

Tax-bank collaboration: One-stop electronic cross-border tax payment

Shanghai Municipal Tax Service collaborates closely with the Shanghai Branch of the People's Bank of China, leveraging blockchain technology to drive institutional innovation and streamline procedures for non-resident cross-border electronic tax payments. As a result, Shanghai Municipal Tax Service has enabled real-time data interaction and seamless integration among taxpayers, tax authorities, and the State Treasury. This allows non-resident companies to conduct foreign exchange cross-border tax payments online in a one-stop manner, with all procedures trackable in real-time.

By the end of 2024

53 cross-border tax payments had been completed, totaling **1.511** billion yuan.

Pilot banks

Industrial and Commercial Bank of China, Agricultural Bank of China & Bank of China



Currencies

CNY, USD, EUR, JPY, etc.



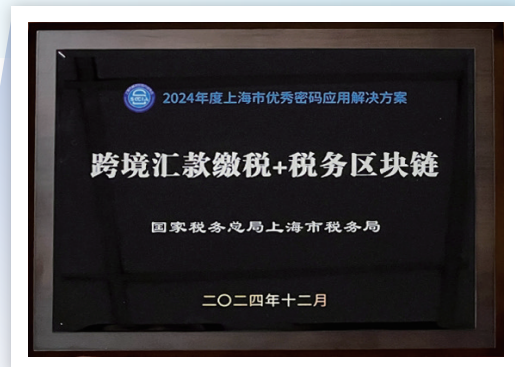
Taxes

Enterprise Income Tax & Stamp Duty



"Cross-border tax payment and tax blockchain"

was awarded as the "2024 Shanghai Outstanding Cryptographic Application Solution" by the Shanghai Commercial Cryptography Industry Association.



Streamlining the process of business deregistration

Together with the Shanghai Municipal Administration for Market Supervision and Administration, Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Healthcare Security Administration, and Shanghai Housing Provident Fund Management Center, Shanghai Municipal Tax Service issued the Opinions on Comprehensively Deepening the Reform of Facilitating the Exit of Business Entities aims to streamline deregistration channels and to ensure lawful and orderly withdrawal of these entities.

Synchronized business deregistration

Shanghai Municipal Tax Service collaborated with the Shanghai Municipal Administration for Market Supervision and Administration to advance fully online business deregistration. By enhancing the digital deregistration platform, they established a one-stop system that allows for the simultaneous revocation of business licenses and tax registrations. This marks a step toward improve the efficiency of inter-departmental cooperation.

Simplified deregistration

Any enterprise that meets the simplified deregistration criteria and fulfills one of the following tax-related scenarios may be exempted from obtaining a tax clearance certificate from the tax authority and may directly apply for simplified deregistration with the Market Supervision and Administration Department:

1. The enterprise has never engaged in any tax-related activities.
2. The enterprise has registered for tax but has never issued or received invoices, including proxy-issued invoices.
3. The enterprise has no unpaid taxes (including arrears), no pending fines, and no other unresolved matters.

Case

Jiading District Office: Virtual Tax Service Windows Facilitating Business Deregistration

Jiading District Office, in collaboration with Jiading District Government Service Center and the Market Supervision and Administration Department, has opened a virtual tax service window at the Jiading Xincheng Office for Market Supervision. This window provides convenient tax services similar to traditional in-person services, while online interaction enables self-employed businesses to complete deregistration in a one-stop manner. The virtual tax service window supports video conferencing, remote document submission, and certificate delivery, also enabling one-stop deregistration for self-employed businesses and saving them from repeated visits.

Upon receiving all required documents from self-employed businesses that have not commenced tax operations via the virtual window, tax officers will immediately review and process them. Upon confirmation, the E-Tax Service will automatically issue and deliver the tax clearance certificate. For self-employed businesses that have commenced operations, tax officers will guide them through the E-Tax Service for quick deregistration and prompt issuance of the tax clearance certificate. At the same time, the Market Supervision and Administration Division has implemented proactive early engagement. Through a coordinated approach, it has streamlined deregistration procedures, reduced confirmation time, and enhanced deregistration services, ensuring a smoother business deregistration process.

A light blue silhouette of the Shanghai skyline, featuring the Oriental Pearl Tower and various skyscrapers, set against a white background at the top of the page.

Chapter Four

Advancing "Convenient and Efficient" Services to Comprehensively Upgrade Tax and Fee Administration

Prioritizing service and taxpayer convenience, Shanghai Municipal Tax Service has established a multi-level service system to provide personalized services and enhance cross-border services. These efforts aim to maximize taxpayer satisfaction and demonstrate the service-oriented approach of tax authorities in the new era.

Building a new multi-level tax service system

Shanghai Municipal Tax Service is committed to enhancing its tax processing capabilities and optimizing service resource allocation. It has thereby established a multi-level progressive tax service system consisting of "Full-process Online Services", "Interactive Tax Services", "Convenient Self-Service Tax Facilities", and "Face-to-Face Tax Services at Service Halls".

Refining policy outreach to ensure precise delivery of tax incentives

Shanghai Municipal Tax Service continues to improve its mechanism for precisely delivering information on tax incentives. It has developed a robust working framework that features accurate information reach, clear implementation pathways, and broad coverage. This approach has made information delivery more precise and achieved a higher success rate in reaching the targeted taxpayers, ensuring that information on tax incentives is efficiently communicated to taxpayers.

01 Categorizing and tagging:

A tag management system is built by utilizing data analytics. This platform tags both policy features and taxpayer types, enabling intelligent comparison and thus point-to-point information delivery. As a result, information on tax incentives is proactively delivered to targeted taxpayers without any need for inquiry, thus ensuring precise and automatic outreach.

02 Tailored guidance:

Focusing on target taxpayers, timing, and channels, the information delivery mechanism accurately understands the varying needs and behavioral patterns of taxpayers. This enables the service system to segment targeted taxpayers accordingly and provide tailored tax compliance guidance.

03 Address difficulties in a closed-loop way:

Shanghai Municipal Tax Service conducts extensive communication before tax processing and precise delivery, offering supplementary post-processing information delivery in a close loop. By creating individual "Policy Benefit Files" and analyzing the reasons for no declaration for policy benefits, Shanghai Municipal Tax Service uses the tax authority-taxpayer interaction platform and employs tax grid officers to deliver precise reminders to companies on overdue or unreported compliance matters and awaiting tax incentives.

In 2024, Shanghai Municipal Tax Service delivered information on tax policies and incentives accurately to over **6.2** million taxpayers.

Case

Precisely Delivering Policy Information to Enable Corporate Taxpayers to Enjoy Tax Incentives Exceeding 100 Million Yuan

According to the tax affairs director of Trip.com Group Limited, in recent years, the integration of AI has greatly enhanced the automation rate of order inquiry, cancellations and changes on its APP. Presently, over 70% of its after-sales services are automated, which sets higher standards for its technology R&D. "Tax authorities have been highly responsive to the tax-related issues in our R&D activities and provided tailored policy coaching. They have assisted us in calculating tax reduction benefits and given us timely tax alerts."

To promptly address the needs of taxpayers, Changning District Office offers customized online classes and establishes "Dandelion" service stations in office buildings to provide on-site support. These initiatives are designed to help corporate taxpayers accurately understand and apply for tax incentives. Trip. Com Group Limited has enjoyed super-deduction of R&D expenses totaling RMB 250 million from January to August, 2024.

Upgrading the intelligent Q&A system to boost inquiry service experience

01 Multi-language and multi-channel tax inquiry system

- 01 The "12366" tax inquiry system has been opened to provide tax inquiry services through multiple channels, including online platforms, mobile apps, and web services. Taxpayers can make inquiries freely in 9 languages: English, Japanese, Korean, French, German, Spanish, Russian, Arabic, and Portuguese, and receive professional answers in their native language
- 02 Combining voice recognition and translation with manual calibration, the system optimizes the cross-border consulting experience for taxpayers without significant extra cost.

Since its launch in April 2024

the system has provided consulting services over **2,000** times via the "12366" hotline and online platforms.



02 Boosting Intelligent Consultation through Human-Machine Interaction

- 01 Shanghai has taken the lead in China to integrate intelligent voice services into its tax processing hotline, providing smart on-demand services. Now, over 60% of inquiries are handled intelligently.
- 02 Relying on voice recognition engines and semantic understanding algorithms, vague queries are accurately positioned, and dynamic intelligent question-and-answer scenarios are constructed in real time, with a question matching accuracy rate of 88.8%.

03 Conducting precise analysis of tax-related needs to quickly address pressing issues

- 01 Shanghai Municipal Tax Service collaborates with other authorities to improve data sharing, comprehensively gather the personal information from the "12366" hotline in the Golden Tax System, and conduct intelligent data analysis, thereby ensuring precise identification of needs and targeted communication.
- 02 Shanghai Municipal Tax Service has established a AI-driven "Digital Human" livestreaming platform to offer visual Q&A services to support precise information delivery, predictive analysis, and early warning. This approach will help address challenges and ensure timely follow-up and service evaluation.

04 Pioneering hotline transfer for seamless problem solution

01 Shanghai Municipal Tax Service is advancing the integration of hotline inquiry and service processing. Non-immediate response issues will be transferred to district office agents. Besides, Shanghai Municipal Tax Service will strengthen the hotline's capacity for addressing issues related to personalized inquiry, service verification, and recognition of data exceptions.

02 Tax service halls in various districts of Shanghai can transfer calls when the public phone lines are busy. If an incoming call encounters a busy line, it will be automatically transferred to the "12366" hotline. This function will ensure the smooth operation of service hall phone lines, and help achieve the goal of "one phone number for all services" and "one line for all inquiries".

05 Cloud-based tax processing from home through interaction with taxpayers on the screen

Shanghai Municipal Tax Service utilizes cloud computing and AI technologies to offer taxpayers tax compliance coaching through various channels, including E-Tax Service, Electronic Invoice Platform, and self-service tax processing terminals. This approach encompasses intelligent responses, manual interaction, and interactive tax processing.

01 Intelligent interaction: When taxpayers go through tax services, they can click on "Yue Yue", a 7x24-hour AI assistant, which will push hot topics and Q&A packages based on the taxpayer's current status. Taxpayers can also input their questions to get instant online answers.

02 Integrated processing and inquiry: To interact with human agents in real time, taxpayers can click the "Human Agent" button at the bottom left of the smart service chat box. This allows for seamless processing of tax matters and supports full online tax compliance workflow, including documentation submission, policy coaching, correction, review, and feedback.

By the end of 2024

interactive services had been provided to taxpayers **1.999** million times



Tax service hall transformation to expand tax processing resources

Shanghai Municipal Tax Service upgrades the combination of its front, middle, and back-office sections to optimize the layout in service hall, and extends self-service terminals to guide taxpayers to accomplish various purposes. These measures can effectively reduce taxpayers' waiting time and visits to service halls, thus driving the functional shift of service halls from physical venues to digital service hubs.

Creating a reasonable combination of front, middle, and back-end service areas

Comprehensive tax service halls will include distinct functional areas tailored to specific needs: the front-office area will provide optimized window services; the middle-office area will be equipped with abundant interactive service resources; and the back-office area will enhance its precise-monitoring capabilities.

Designing a guided flow for on-site services

Aiming to reduce taxpayer visits and time spent in service halls, Shanghai Municipal Tax Service optimizes the flow design, and enhances tax service guidance through proactive upfront taxpayer screening. These efforts can guide taxpayers through tax processing very fast and basically online, improving the efficiency of tax processing services.

Facilitating tax inquiry for foreign taxpayers through bilingual windows

A bilingual service team has been established, with bilingual windows set up in 26 comprehensive tax service halls across Shanghai. These service halls integrate tax inquiry, acceptance and processing at special windows, greatly boosting tax processing efficiency for foreign taxpayers.

Optimizing the distribution of tax service sites

Considering the taxpayer number in various regions, along with the current setup of tax service halls and their extensions, Shanghai Municipal Tax Service has established collaborative tax governance centers in various industrial parks, office buildings, banks, and subdistrict administrative offices in Shanghai.

Co-governance sites provide integrated tax services including tax law interpretation, tax inquiry, tax processing, rights protection, and other government services. By doing so, they aim to extend the reach of tax services, and provide optimal solutions for tax settlement and payment.



Fengxian District Office: Boosting the efficiency of tax service halls through taxpayer guidance

Fengxian District Office has introduced an innovative mechanism that focuses on upfront taxpayer screening and guidance in its tax service halls. This mechanism streamlines the tax processing flow and establishes a service model that integrates online processing guidance, quick processing of simple tax services in the halls, and dedicated windows for processing complex tax services. Upon arrival, taxpayers are grouped and guided accordingly to tailored services, which enable them to deal with tax matters efficiently.

Space reconstruction

Fengxian District Office optimizes its service hall layout, setting up dedicated processing areas for individual taxpayers, companies, and tax service agents respectively. Additionally, it sets up an Old Peng's Friends Studio, a dispute mediation room, and a special window for reporting unresolved issues, all aiming to address complex issues and tax-related disputes.

Taxpayer screening and direction

At the entrance, an upfront taxpayer screening and direction desk is set up to offer taxpayers clear directions based on their appointments and service needs. Taxpayers with simpler service needs are directed to use self-service terminals or the E-Tax Service platform, while complex services are transferred to the service windows.

One Person, One Number

Fengxian District Office implements a "one person, one number" model that supports online appointment, offline taxpayer screening, online processing, and window services. For instance, after taxpayer screening, taxpayers are directed accordingly to the online tax processing experience area to complete tax filing. When taxpayers' bank account issues cause payment failures, their appointment numbers can be converted to referral numbers for priority window services. This approach effectively encourages taxpayers to use online services and enhances the integration of online and offline services.



Since April 2024, thanks to optimized flow design and functional layout, Fengxian District Office has achieved

Drop in window processing at service halls

60%

Year-on-year decline in visits to service halls

40%

The electronic filing rate has stood

99.7%

Issue resolution rate

100%

Providing targeted services to establish a personalized service system

Shanghai Municipal Tax Service is dedicated to developing a personalized service system that fully caters to the diverse needs of corporate taxpayers. It offers tailored "One Enterprise, One Policy" services to help large companies navigate complex tax-related challenges. Besides, it has launched "Spring Rain Nourishing Seedlings" special actions to support the growth of SMEs. By precisely meeting the needs of taxpayers, Shanghai Municipal Tax Service safeguards the high-quality development of companies across the board.

Enabling large companies to scale new heights through tailored services

Shanghai Municipal Tax Service prioritizes the needs of large companies. Embracing coordination and advance tax ruling, Shanghai Municipal Tax Service is optimizing its service models to help these companies mitigate tax-related risks and address complex issues.

Cross-regional tax processing coordination

Shanghai Municipal Tax Service flexibly utilizes coordination mechanisms to address complex and significant tax-related issues for large companies, improving the efficiency of tax services.

Advance tax ruling services

Shanghai Municipal Tax Service is promoting the routine, standard, and professional ruling services to prevent tax-related risks and boost the certainty of tax services for large companies.

Tailored and targeted services

Shanghai Municipal Tax Service is updating its service models to deliver tailored, convenient, and efficient tax services, catering to the diverse needs of large companies. It has built dedicated communication channels that enable large companies to submit their tax inquiries directly to Shanghai Municipal Tax Service via the new E-Tax Service platform and receive prompt responses.

Case

Shanghai Municipal Tax Service: Directing Lego to Take Root in Shanghai

In October 2020, the first Legoland resort in China began construction in Jinshan District, Shanghai. The project boasts a registered capital of 2.45 billion yuan, and will open 8 theme zones with over 75 interactive entertainment facilities. The resort is expected to open officially in 2025, and promises visitors an immersive experience in the Lego world.

The financial/project manager of this Legoland park said: "Since the project's inception, Shanghai Municipal Tax Service has provided us with tailored full life-cycle tax services." In the investment phase, tax authorities proactively communicated the tax deferral policy for reinvestment to the overseas parent company which can thus benefit from deferred taxation. During construction, tax authorities offered targeted coaching on the VAT credit refund policy, giving much needed financial support to the project's progress.

Continuing to empower SMEs through "Spring Rain Nourishing Seedlings" special actions

In collaboration with Shanghai Federation of Industry and Commerce, Shanghai Municipal Administration for Market Regulation and other government departments, Shanghai Municipal Tax Service is committed to promoting the high-quality development of SMEs and self-employed businesses. To carry on and elevate the "Spring Rain Nourishing Seedlings" special actions, Shanghai Municipal Tax Service rolled out 12 new service measures in 2024.

Providing effective coaching with a perfect integration of form and content

Shanghai Municipal Tax Service conducts eligibility and applicability coaching for SMEs, offering tailored interactive lectures on tax policies, and facilitating one-to-many communication to help SMEs grasp key points to reap policy benefits. On this basis, Shanghai Municipal Tax Service focuses on launching the "First Lesson for New Businesses" tax coaching project for newly opened SMEs.

2024

- Shanghai Municipal Tax Service conducted **262** coaching sessions, reaching a total of **168,000** SMEs.
- Shanghai Municipal Tax Service precisely communicated tax policy information to **1,513,100** taxpayers through tax authority-taxpayer interaction channels, and its "First Lesson for New Businesses" project covered **362,000** new taxpayers.

Streamlining tax processing by integrating intelligence and data technologies

Shanghai Municipal Tax Service pioneers the use of integrated self-service terminals to offer SMEs round-the-clock services, fulfilling their needs for convenient and online tax processing. Besides, Shanghai Municipal Tax Service provides convenient and efficient integrated tax processing and inquiry services, boosting the efficiency of online processing.

Providing tiered services integrating potential assessment and precise support

Shanghai Municipal Tax Service tailors its support to meet the varying needs of self-employed businesses at different stages of development (survival-oriented, growth-oriented, and expansion-oriented). It strengthens comprehensive, full life-cycle policy coaching for SMEs operating in the field of technological innovation and manufacturing. By doing so, Shanghai Municipal Tax Service aims to ensure the implementation of structural tax relief and fee reduction packages policies and enhance their core competitiveness.

Providing timely and efficient solutions through data-driven and collaborative governance

In collaboration with Shanghai Federation of Industry and Commerce, Shanghai Municipal Tax Service is developing a trilateral cooperation mechanism that brings together functional departments, industry associations, and communities, aiming to deliver tailored tax services. Additionally, Shanghai Municipal Tax Service is exploring an extensive mediation framework that involves the functional Divisions, industry associations, and communities, endeavoring to address tax disputes involving SMEs in a timely and lawful manner.



Case

Chongming District Office: Simplifying Tax Processing for Self-employed Businesses Through On-site Assistance

To address the inconvenience of tax service hall visits and the sub-standard online tax filing of self-employed businesses, Chongming District Office hosts quarterly "Spring Rain Nourishing Seedlings" convenience days with on-site assistance under its "Tax Service to Proper Chongming" initiative. Since its launch, the initiative has processed over 3,400 filings and payments, and provided over 1,200 inquiry and coaching sessions.

Thorough analysis: Before any on-site assistance event, Chongming District Office gathers data, identifies and analyzes individuals who have visited tax service halls repeatedly, in order to develop staggered filing schedules. To ensure effective outreach, various channels are employed, including SMS notifications, WeChat account posters, and personalized notifications from tax officers.

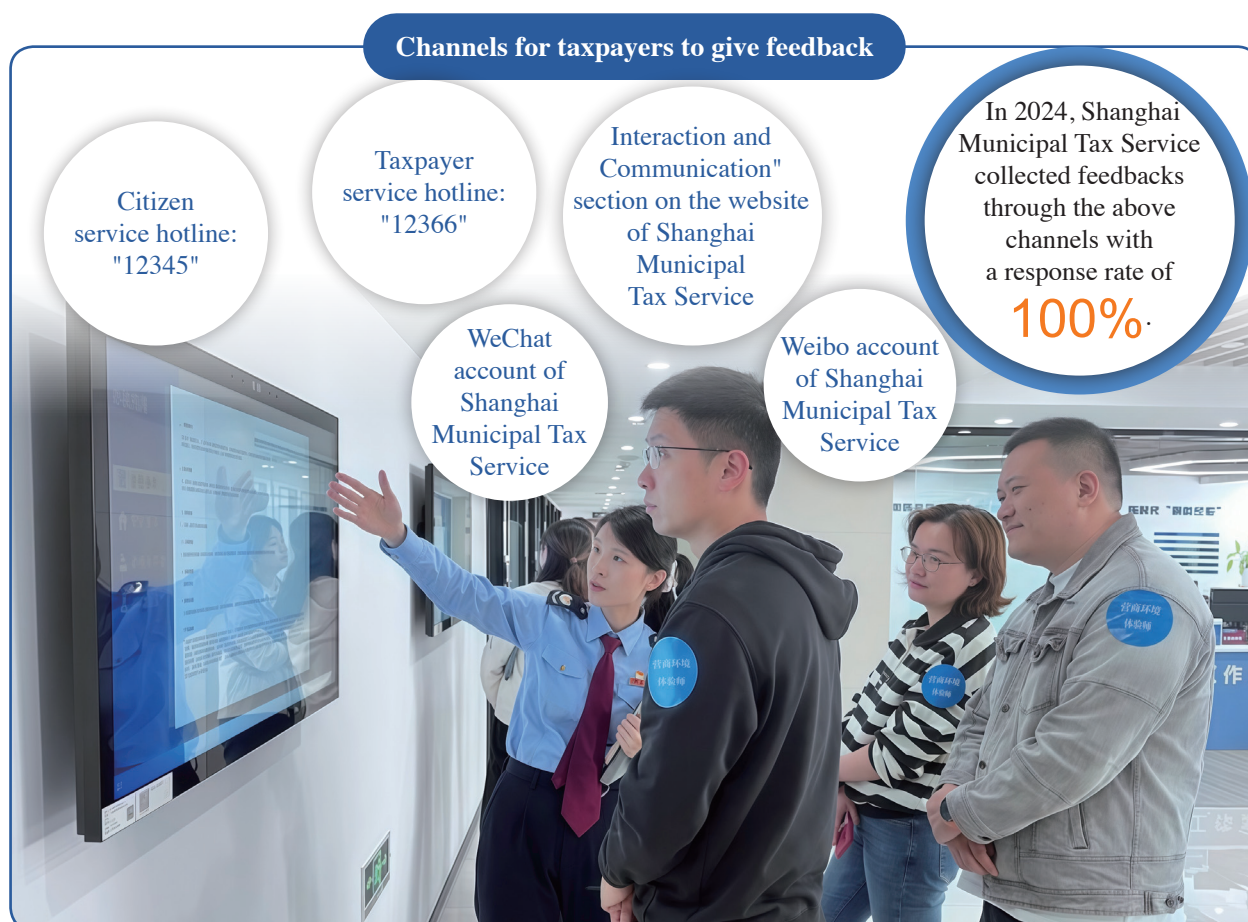
Proactive assistance: To facilitate taxpayers from remote areas, assistance sites are established at tax offices in Chenjiazhen, Baozhen and other distant locations. Officers from the First and Twenty-First Tax Offices accept and handle routine declarations and modifications for self-employed businesses, greatly reducing their commuting time and costs for tax processing.

Comprehensive coaching: Officers from tax service halls provide detailed explanations of tax incentives, savings and other policies to self-employed businesses, resulting in thorough policy understanding. They also assist self-employed businesses in completing compliance on the E-Tax Service platform, helping them shift from on-site processing to online self-service processing.

Maintaining Integrity by Listening to Taxpayer Feedback

To ensure smooth channels for collecting demands, responding promptly, and providing timely feedback, and to better meet the reasonable needs of taxpayers and fee payers, Shanghai Municipal Tax Service has kept its channels open and smooth for collecting opinions and hearing complaints from taxpayers, improved the management of tax and fee demands, carried out satisfaction surveys and service evaluations among taxpayers, striving to provide more convenient and efficient tax services.

Collecting opinions from taxpayers



Enhancing the satisfaction of taxpayers

2024

Shanghai's tax authorities at both the municipal and district levels recruited **284** tax environment evaluators, who provided **139** suggestions on how to improve tax services.



Enhancing tax services to bolster taxpayers' cross-border endeavors

As globalization continues to advance, cross-border tax services have increasingly grown and played a stronger role in attracting foreign entities and driving local companies to go global. Shanghai Municipal Tax Service has proactively worked to support the city's high-level opening up efforts by launching the branded TaxExpress service initiative. By continuing to improve its service mechanisms, Shanghai Municipal Tax Service aims to foster stronger integration of tax services and cross-border commerce.

Strengthening service sharing mechanisms to enhance the branding of cross-border service

To fulfill the functions of taxation and support high-level opening up, Shanghai Municipal Tax Service is committed to enhancing its cross-border service brand TaxExpress with a focus on cross-border taxpayers' needs. This initiative is being upgraded across three dimensions, including seamless information flow, transparent policy communication, and smooth service delivery.

In May 2024, the Pudong TaxExpress work station was officially opened, conducting menu-based cross-border tax policy communication and adopting a "one team for one enterprise" service model. The work station also works to enhance service collaboration with key government departments, including commercial administration, the Customs, and public security. These efforts are aimed at providing taxpayers with full life-cycle, comprehensive, and seamless tax services.



Providing targeted tax services for key foreign investments

Focusing on key foreign-invested projects, Shanghai Municipal Tax Service is exploring full life-cycle tax service models. Through full-process standardized direction and phase-by-phase coaching, Shanghai Municipal Tax Service endeavors to facilitate the growth of foreign-investment in China.

Compiling a life-cycle tax service guide

01

Shanghai Municipal Tax Service has compiled a unified full life-cycle tax service guide for key foreign-invested projects. By implementing full-process and standardized guidance and employing cross-departmental service teams, Shanghai Municipal Tax Service ensures full tax compliance for these projects.

Full life-cycle service support

02

Shanghai Municipal Tax Service is exploring services that accompany the full life-cycle of investment, from investment, construction, production to liquidation. These services are industry-oriented and stage-specific, encompassing policy communication, tax compliance coaching, and risk alerts, thus ensuring the successful inception and sustained development of key foreign investment projects.

Enhancing international communication and sharing tax administration experience

Shanghai Municipal Tax Service is actively advancing international tax cooperation and resolving cross-border tax disputes through negotiations and consultations, with a view to deepening the BRI tax cooperation, as well as establishing a new platform for international tax communication.

Mutual Agreement Procedure (MAP) for cross-border taxation

Under the auspice of STA, Shanghai Municipal Tax Service actively engages in international tax governance cooperation. It conducts consultations with tax authorities from the United States, Japan and other countries on cross-border transactions, aiming to resolve international tax disputes and boost Shanghai's influence in global taxation cooperation.

Building platforms for taxation cooperation

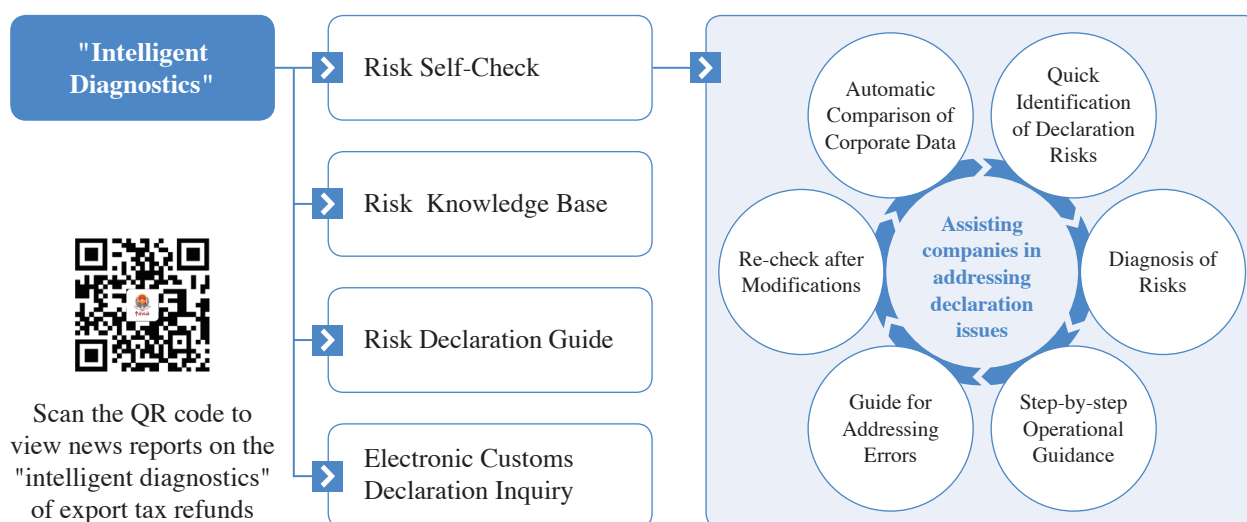
Building on the Shanghai Tax Culture Museum, Shanghai Municipal Tax Service opens a training base for the BRI Tax Administration Alliance and a center for international taxation cooperation, aiming to facilitate international tax governance exchange.

Enhancing export tax refund services through online "intelligent diagnostics"

In close collaboration with the commercial administration, Shanghai Municipal Tax Service has built an "intelligent diagnostics" module for export tax rebates, and embedded it into the "Dedicated Window" online tax filing platform for international trade, as part of the export tax refund declaration system. This approach aims to address the challenges that export companies encounter when filing for export tax rebates.

The "intelligent diagnostics" module can automatically compare companies' declared data, quickly identify risks in declarations, and form a closed loop where each risk is diagnosed, every step is guided, every error is addressed, and modifications are double-checked. These efforts help companies address declaration issues effectively.

The "intelligent diagnostics" module includes several sub-modules such as "Risk knowledge Base" and "Risk Declaration Guide", which provide taxpayers with comprehensive operation guidance and a range of solutions for them to select and learn.



Boosting the consumption vitality of overseas tourists through instant departure tax refund

Offering tax refunds upon departure for overseas tourists is a vital measure to boost market confidence and a key initiative in boosting international interest in the consumer sector. Since the introduction of departure tax refund in 2015, Shanghai Municipal Tax Service has expedited the establishment of tax refund stores, trying to provide consumers with a convenient shopping experience with instant tax refund.

In 2024, Shanghai's sales with tax refund upon departure increased by **86.4%** year on year. The number of overseas tourists applying for departure tax refunds exceeded **86,000**, achieving a year-on-year growth of **195%**. The combined effect of visa-free entry and departure tax refund policies is clearly evident.



Driving the expansion of the network of tax refund stores

In 2024, Shanghai added **117** new tax refund stores for overseas tourists, bringing the total number of registered tax refund stores to **765**, the highest in recent years.



Scan the QR code for tax refund stores

Facilitating the extension of centralized instant tax refund services

In 2024, Shanghai added **three** new centralized instant tax refund locations, namely Bicester Village Shanghai, HKRI Taikoo Hui, and Jing An Kerry Centre, which have nearly **200** tax refund stores, further facilitating departure tax refund.

Case

Centralized Instant Tax Refund Bringing New Business Opportunities to Businesses

As one of the new locations of centralized instant tax refund added in 2024, Bicester Village Shanghai has processed over 3,300 tax refund applications from overseas tourists up to now, registering a growth of 263% from 2023. According to an official from the Village, the instant tax refund service has greatly improved the shopping experience of overseas tourists. Eligible tourists can receive immediate cash refunds at the store after shopping, which in turn encourages repeat purchases.

A light blue silhouette of the Shanghai skyline, featuring the Oriental Pearl Tower and various skyscrapers, set against a white background at the top of the page.

Chapter Five

Minimizing Interference While Implementing Precise Tax Supervision

Precise supervision is essential for effective tax governance. Shanghai Municipal Tax Service follows strictly the principle of "no interference unless necessary", and has built a robust tax supervision system through optimized tax source monitoring, enhanced risk prevention and control, and innovative auditing methods. This system ensures fair competition through impartial supervision, safeguarding Shanghai's high-quality economic development.

Optimizing tax source management methods

Shanghai Municipal Tax Service has worked to make tax source monitoring more targeted and professional. It has put tax matters in different categories and levels and standardized the collection of social insurance premiums, establishing a solid foundation for high-quality tax services.

Implementing layered and categorized management of tax matters

Considering the complexity and risk levels of tax matters, Shanghai Municipal Tax Service continues to refine the layered administration responsibilities of tax authorities and thus boosts tax administration efficiency, guided by the principles of specialization, unification, and differentiation.

Handle simple and low-risk tax matters in advance

Some basic tax matters previously handled by tax source administration offices have been delegated to tax service halls.

Upgrade complex and high-risk tax matters

Some complex tax matters have been transferred from local tax offices to the district authorities
Some high-risk tax matters have moved up from the district level to the municipal level

Standardizing social insurance premium collection

Shanghai Municipal Tax Service continues to standardize its social insurance premium collection by initiating a joint handling mechanism for collection disputes, which further enhances the efficiency of cross-departmental collaboration.

Cross-departmental joint dispute handling mechanism

Shanghai Municipal Tax Service has initiated a joint handling mechanism for collection disputes. Various districts in Shanghai have established cross-departmental joint dispute processing bodies, involving the political and legal affairs commission, petition and complaint offices, courts, public security agencies, cyberspace administration offices, tax authorities, and other relevant Divisions.



Standardizing tax supervision by building a risk management mechanism

Shanghai Municipal Tax Service continues to update and enhance its tax risk management mechanism. While ensuring taxpayer compliance, it also works to modernize tax supervision.

Offering timely service reminders to enhance taxpayer compliance

Shanghai Municipal Tax Service carries out a comprehensive check on taxpayers, transitioning from a mainly post-event risk monitoring approach to a holistic prevention and control framework that encompasses both ex-ante and in-process measures.

01



Timely taxpayer credit reminders

Shanghai Municipal Tax Service integrates common risk and individual behavior data collected from companies across Shanghai to identify frequent dishonest tax behaviors. It has launched a dynamic tax credit reminder service that covers the entire process to help taxpayers identify potential risks of dishonesty and correct such behaviors in a timely manner.

02



Smart reminders from the E-Tax Service platform

The new E-Tax Service platform has added a "smart reminder" feature for the quarterly filing and advance payment of enterprise income tax. This service provides real-time check and verification of the declared data, and assists taxpayers in their tax filing, thus reducing their tax risks and tax compliance burdens.

Precisely responding to tax risks to strengthen management quality and efficiency

Shanghai Municipal Tax Service is refining the scope, clarifying the responsibilities, and optimizing the procedures for risk supervision to improve the quality and effectiveness of risk management. By focusing on key areas and critical issues, Shanghai Municipal Tax Service is enhancing data utilization, optimizing model building, and expanding its capacity to prevent and address systemic risks. To regulate and normalize risk management, Shanghai Municipal Tax Service is also strengthening its working mechanisms, reinforcing task coordination, and intensifying risk monitoring to effectively improve the quality and efficiency of risk control.

2024



35,000 tax risk control tasks were completed across Shanghai, advancing the transformation of risk management.

Strengthening the tax auditing network

Shanghai Municipal Tax Service continues to improve its tax audit mechanism by implementing a "double-random and publicity" spot check mechanism and the "smart auditing" model to increase the transparency and intelligence of tax audits.

Ensuring the traceability and impartiality of supervision through the "double-random and publicity" mechanism

Shanghai Municipal Tax Service implements in full swing the "double-random and publicity" spot check mechanism, which involves random selection of inspection targets, and random assignment of law enforcement personnel, and the prompt publicity of inspection progress and outcomes. Besides, Shanghai Municipal Tax Service is using electronic means to ensure that "double-random" spot checks are fully documented to enhance traceability.

2024 Shanghai Municipal Tax Service spot check arrangements for tax audit

The audit department of Shanghai Municipal Tax Service discloses its work arrangements, including the targets, legal basis, entity, scope, and methods of spot checks.

Scan the QR code to see more details of work arrangements >>>



2023 Shanghai Municipal Tax Service tax auditing spot check results

The audit department of Shanghai Municipal Tax Service discloses spot check results, auditing methods, methods for selecting enforcement personnel, and amounts of tax adjustments.

Scan the QR code to see detailed spot check results >>>



Building a smart audit platform to advance tax governance through data

Under the "smart taxation" initiative, Shanghai Municipal Tax Service has developed a "smart auditing" platform. This involves refining the target identification mechanism, mining data from the tax audit case library, and fully using tax big-data and third-party data to develop and implement standardized and unified tax processing and penalty methods.

Building a smart tax auditing system

Aiming to empower taxpayers, reduce their burdens and enhance their tax compliance efficiency, Shanghai Municipal Tax Service has deeply implemented the requirements of tax governance by law, with data, and strictly, continuing to promote data and technology-driven tax inspection and auditing. Shanghai Municipal Tax Service has comprehensively collected tax inspection-related data and scientifically set up analysis dimensions and indicators. These cover four main areas: investigation results, case quality and efficiency, case-handling capacity, and risk prevention, with over 40 data items, enabling data-driven decision-making.

Maintaining a strong stance by enhancing supervision on key areas

Shanghai Municipal Tax Service is enhancing tax supervision in key areas by identifying risks and weaknesses, developing specific measures, and collaborating with multiple government departments to prevent and combat tax-related crimes. Through impartial regulation, Shanghai Municipal Tax Service will ensure fair market competition.

Strengthening risk identification and mitigation in key areas

Shanghai Municipal Tax Service has conducted a comprehensive review of key areas of tax services to identify weaknesses in institutional development, risks in the exercise of power, and gaps in supervision. As a result, Shanghai Municipal Tax Service has refined risk indicators and built institutional mechanisms, greatly enhancing the legality and standardization levels of law enforcement and service and other areas.

Regular mechanism for combating false invoicing and tax frauds

Shanghai Municipal Tax Service plays a proactive role in a multi-departmental collaboration designed to combat fraudulent invoicing and tax evasion. This joint mechanism integrates seven critical public governance agencies: tax authorities, public security agencies, judicial courts, prosecutorial offices, the People's Bank of China, customs administration, market supervision and administration department, and foreign exchange authorities. By harnessing tax data alongside complementary information, such as business registrations, invoice records, identity verification systems, and financial transactions, these agencies conduct coordinated risk analyses to identify systemic vulnerabilities and illicit patterns. The initiative prioritizes high-risk, high-impact criminal networks specializing in fraudulent VAT invoicing and export tax refund fraud. Through special cross-departmental coordination and interregional cooperation, the partnership enables targeted, intelligent enforcement actions to fight tax-related crimes efficiently.

In 2024, the eight departments carried out several "Gale" and "Thunder" operations, in which:

18 operations were completed

43 criminal networks were dismantled

319 suspects were arrested

A combined case value of **48.54** billion yuan

75 companies were found to be engaged in tax fraud or non-compliant export tax rebate practices

1.18 billion yuan of tax revenue loss retrieved

The top of the page features a light blue background with a white silhouette of the Shanghai skyline, including the Oriental Pearl Tower and various skyscrapers. Below this, the title 'Summary and Outlook' is written in a dark blue, sans-serif font.

Summary and Outlook

In 2024, Shanghai Municipal Tax Service fully implemented President Xi Jinping's important directions on tax work and comprehensively carried out the spirit of the 20th National Congress and the Third Plenary Session of the 20th Central Committee, ensuring the successful completion of all tax-related tasks and goals. Demonstrating its firm commitment to national strategies, Shanghai Municipal Tax Service adapted to trends, made plans ahead, and strengthened tax administration through innovation-driven practices. It also ensured precise policy implementation to strive for service excellence and support high-quality development. Through institutional innovation to sustain and expand reform achievements, Shanghai Municipal Tax Service has comprehensively fulfilled its mission, optimizing services to meet taxpayers' expectations and enhancing governance to drive progress.

In 2025, Shanghai Municipal Tax Service will comprehensively implement the "Foundation Consolidation Project" as a key measure for improving tax governance, focusing on "strong leadership, solid foundation, maximizing strengths, and enhancement in quality and efficiency". It will continue to realize law-based and data-driven tax governance. Aligning with major national and regional strategies, Shanghai Municipal Tax Service will consolidate its proactive stance for communicating tax policies, deepen reforms in tax administration to support new business and operation forms, and ensure precise implementation of tax incentives. Through the empowerment of digital and intelligent technologies, Shanghai Municipal Tax Service will comprehensively improve tax governance, enhance tax administration efficiency, optimize tax data governance, and enable grassroots tax officials to better fulfill their management responsibilities under new circumstances. Along with the drive to improve the business environment, Shanghai Municipal Tax Service will embrace innovative administration methods for advance tax ruling, deepen the application of digital invoices, and promote the transformation of tax service halls and the "12366" hotline, thus raising the quality and efficiency of tax services. Committed to personnel development, Shanghai Municipal Tax Service will implement the "Young Marxist" project to build a high-quality professional talent pool, and implement effective measures to reduce burdens and enhance capabilities at the grassroots level.

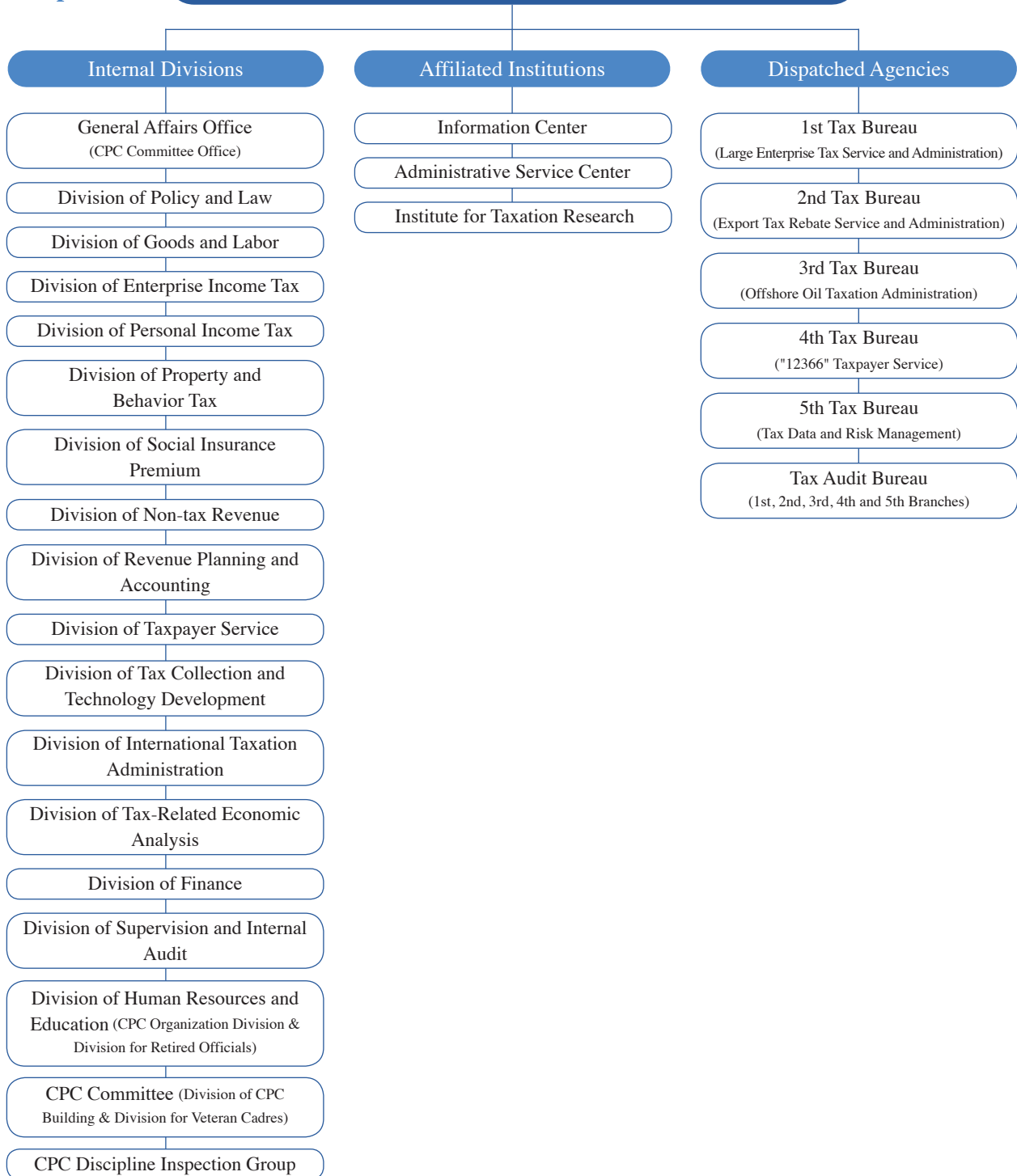
With lofty aspirations, Shanghai Municipal Tax Service will set forth on a bold new journey, courageously confronting challenges and pressing forward with unwavering resolve. Moving forward, Shanghai Municipal Tax Service will act with resolute determination and deploy pragmatic, outcome-oriented strategies to drive the modernization of tax governance. It is committed to delivering robust economic stewardship, advancing sustainable socioeconomic progress in both China and Shanghai.

Appendix

Organizational Structure

Institutional Setup:

Shanghai Municipal Tax Service



Responsibilities

01

Following the CPC's policy lines and principles, and implementing relevant policies; strengthening the CPC's leadership across the board; assuming responsibilities for CPC disciplining; and overseeing Party building and ideological and political work

02

Enforcing tax-related laws, regulations, rules, and normative documents, managing social insurance premiums and relevant non-tax revenues, formulating specific implementation measures; And ensuring the delivery of national tax incentives

03

Developing medium and long-term plans for the administration of tax revenues, social insurance premiums, and relevant non-tax revenues; participating in the formulation of budgets for these revenues and implementing them in accordance with law; Undertaking accounting and statistical work for tax revenues, social insurance premiums, and non-tax revenues; And conducting revenue analysis and forecasting

04

Conducting tax-related economic analysis and tax policy effect analysis, providing decision-making inputs and recommendations for STA, the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government

05

Overseeing the collection and management of tax revenues, social insurance premiums, and non-tax revenues within its jurisdiction; Implementing tax source monitoring and risk management, and strengthening the tax administration of large companies and individual taxpayers

06

Implementing the development of service systems for tax revenues, social insurance premiums, and non-tax revenues; Organizing tax service and tax policy publicity, protecting the legitimate rights and interests of taxpayers; Undertaking administrative penalty hearings, administrative reconsideration, and administrative litigation related to taxes, social insurance premiums, and non-tax revenues

07

Managing international taxation and import/export tax affairs within its jurisdiction; And organizing anti-tax avoidance investigations and processing matters concerning export tax rebates

08

Conducting tax audits and inspection over social insurance premiums and other non-tax revenues within its jurisdiction

09

Overseeing the management of special and general VAT invoices, and all other types of invoices; And managing vouchers related to taxes, social insurance premiums, and non-tax revenues

10

Implementing the digital administration and data governance of taxes, social insurance premiums, and non-tax revenues

11

Building internal control mechanisms, overseeing the implementation of key decisions by the CPC Central Committee and the State Council, as well as the arrangements from higher authorities, and carrying out tax law enforcement inspections

12

Overseeing grassroots team building, advancing leadership and reserve cadre development, managing tax professional cultivation; And conducting performance assessment

13

Managing institutional, staffing, budgetary, and asset affairs

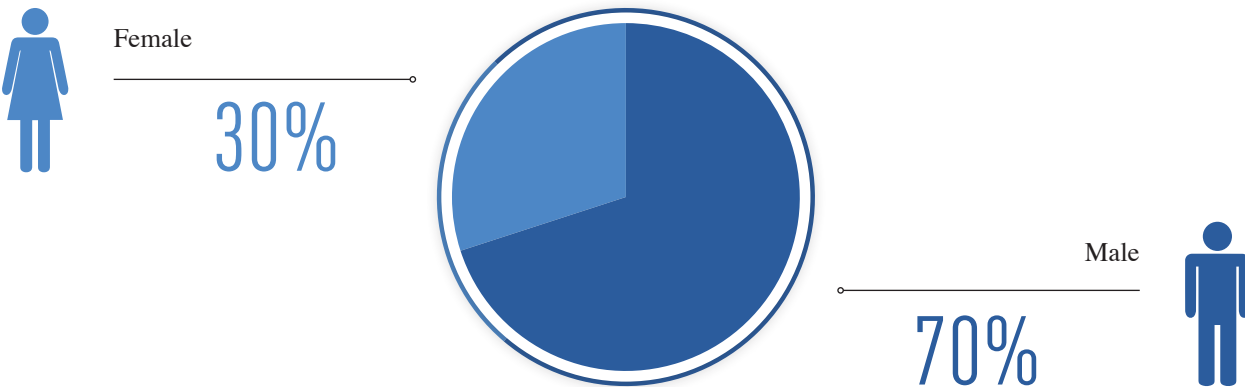
14

Completing other tasks assigned by STA, the CPC Shanghai Municipal Committee, and Shanghai Municipal People's Government

Scale and Composition of Personnel

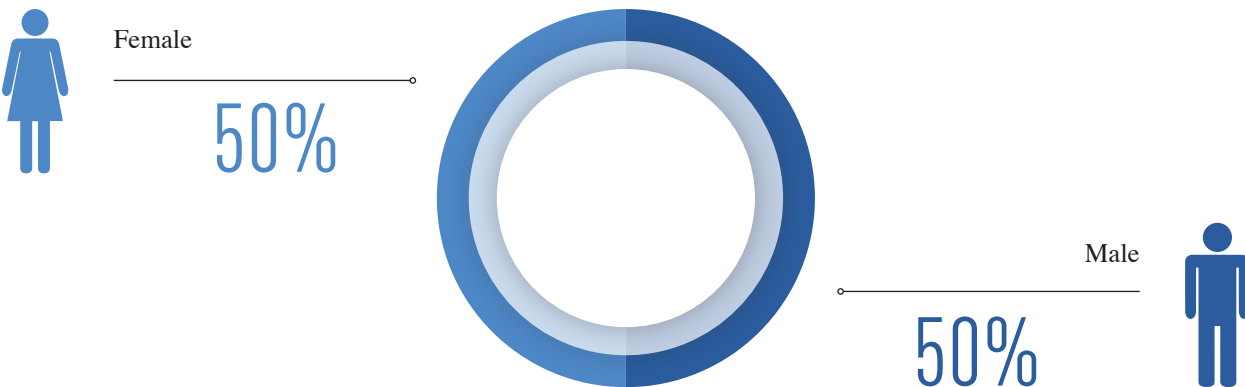
Leaders

Officials at and above the deputy-director level, civil servants equivalent to and above Researcher Level 4 (such as Level-4 Senior Organizers and Level-4 Senior Supervisors), and professional and technical personnel at and above Level 7 in affiliated institutions



Staff

Civil servants and staff in Shanghai's tax bureaus and affiliated institutions



Market Entities

Overall

As at the end of 2024, Shanghai registered a total of 2.823 million market entities, of which private companies constituted 88%.

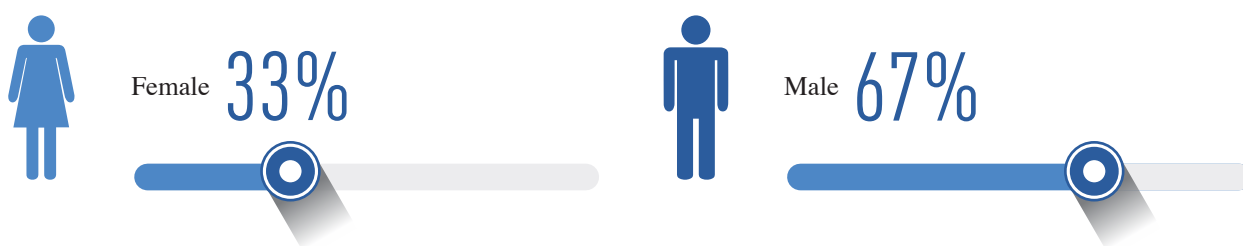
24,000
high-tech companies

17,000
technology-based SMEs

12,000
SIEs

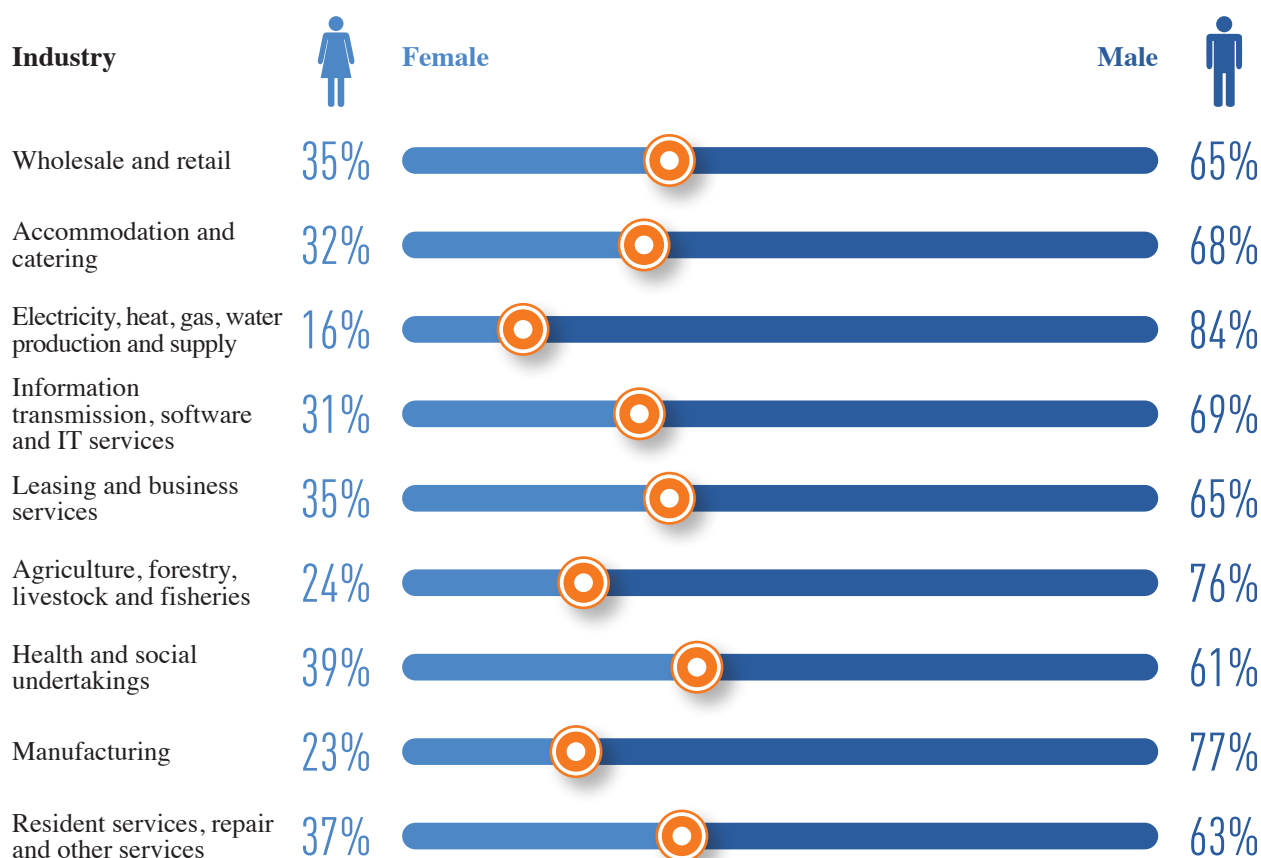
Division by gender

Legal representatives of businesses in Shanghai:

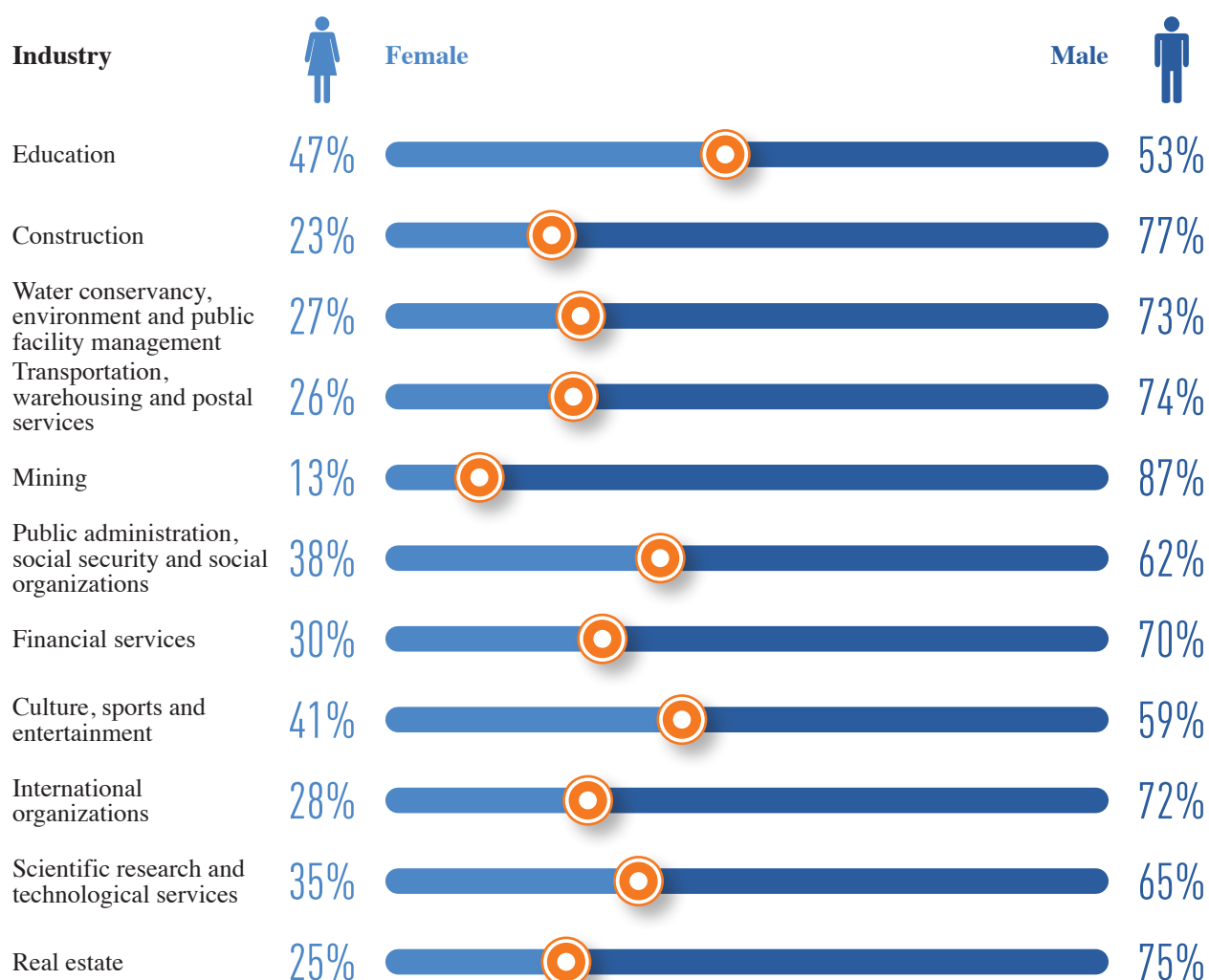


The gender mix of legal representatives of private companies is identical to that of all businesses in Shanghai.

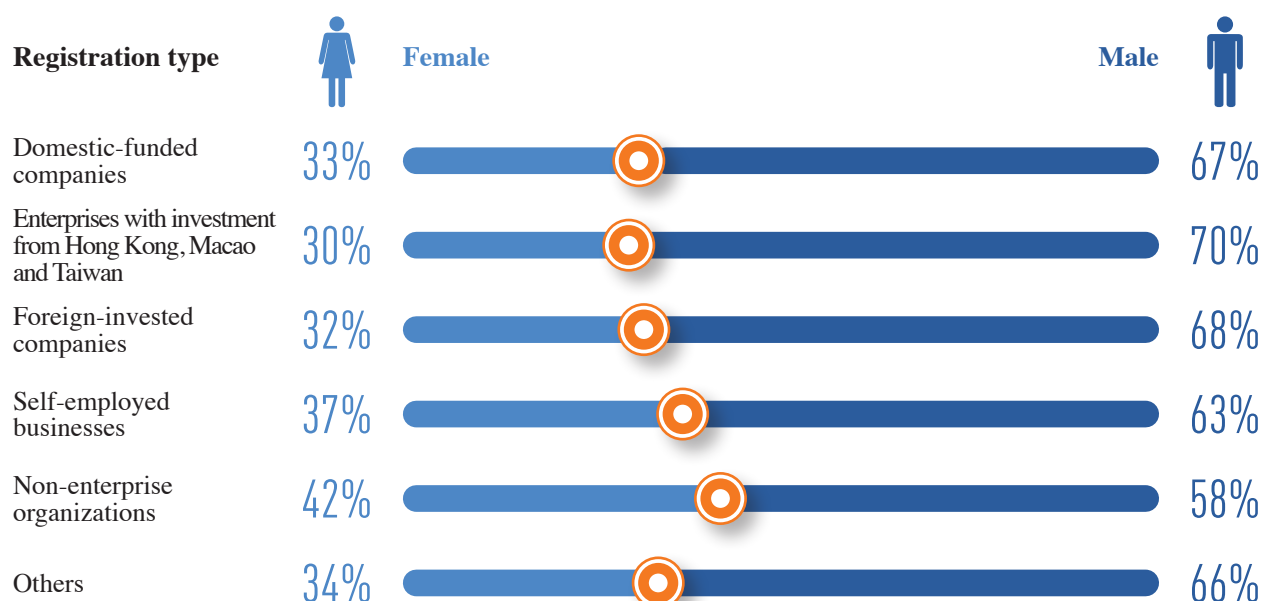
Division by industry



Division by industry (Continued)



Division by registration



Government Transparency

Closely following the decisions and arrangements of the CPC Shanghai Municipal Committee and Shanghai Municipal People's Government, in addition to the arrangements of the CPC Central Committee and the State Council, Shanghai Municipal Tax Service has worked proactively to improvement government transparency, disclosing the information of social and economic development in the line of its capacity to meet the expectations of taxpayers. Details can be found on the website of Shanghai Municipal Tax Service.

Publicity of Five Matters: Decision-making, Enforcement, Administration, Services, and Outcomes



Decision-making	Enforcement	Administration	Services	Outcomes
<ul style="list-style-type: none"> Major decisions (Matters and opinion collection) Meetings Plans and their key points Normative documents 	<ul style="list-style-type: none"> Budgets and final accounts Key areas Administrative Enforcement "Double random and publicity" Directory of Government Affairs to Be Disclosed by Shanghai Municipal Tax Service Directory of Government Affairs to Be Disclosed by Grassroots Agencies 	<ul style="list-style-type: none"> Responsibilities About leaders Personnel information List of powers and responsibilities 	<ul style="list-style-type: none"> E-Tax Service Tax Processing Guide Directory of Tax Services List of One-Visit-at-Most Services List of Full-process Online Services Public activities Statistics 	<ul style="list-style-type: none"> Press conferences Report Tax revenues Suggestions and proposals Double disclosure Report on Building a Law-Based Government



Column on "Optimizing the Tax Environment"



Work Report of Shanghai Municipal Tax Service in 2024



Work Plan of Shanghai Municipal Tax Service in 2025



Report of the Shanghai Municipal Tax Service on Building Law-Based Governments (2024)



Taxpayer policy documents



Taxpayer Academy



Tax Processing Guide



User Guide for the E-Tax Service



Consultations and Interactions



国家税务总局上海市税务局
Shanghai Municipal Tax Service, State Taxation Administration