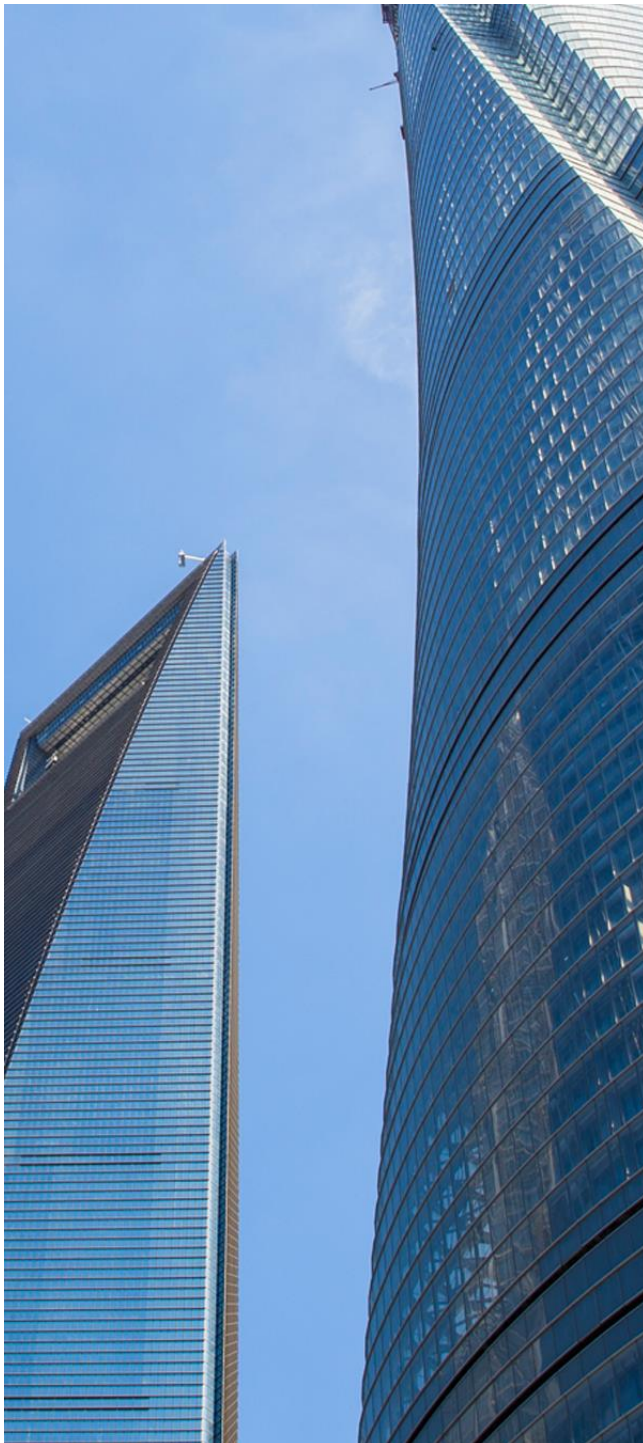

China offices

Legal flash

June 2020



Introduction

The Shanghai Municipal Tax Bureau recently announced its plan to soon launch tax audits on randomly selected taxpayers.



Alert for tax audits in Shanghai

The Shanghai Municipal Tax Bureau recently announced that it will soon launch tax audits on randomly selected taxpayers.

The Inspection Divisions within the Shanghai Municipal Tax Bureau will carry out the audit work, which will focus on whether taxpayers, withholding agents and other parties involved in tax-related matters have complied with their tax obligations.

> **Scope of tax audit**

a) **Key targets**

A random selection of companies that are key tax sources in Shanghai, as determined by several factors, including tax scale, industry, location, company type, and company group.

b) **Non-key targets**

Selected randomly among taxpayers (other than above-mentioned key targets), including non-corporate taxpayers.

c) **Abnormal targets**

A random selection of companies with abnormal tax declaration records, high tax risks, low tax credit ratings, frequently reported non-compliance incidents and frequent non-compliance records in tax collection and administration, as well as companies that have been jointly sanctioned by the authorities for non-compliance and other abnormal situations.

> **Target selection method**

Targets will be selected through a screening process with combined methods based on specific and non-specific conditions.

> **Audit period**

The audit will cover targets' tax compliance status between 2017 and 2019; if any significant non-compliance is discovered, the audit period can be tracked back to previous years or extended to 2020.



> **Audit format**

Depending on the work requirement and focus, the Shanghai Municipal Tax Bureau may either (i) conduct a formal inspection directly or (ii) require targets to carry out a self-assessment before a formal inspection.



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