VALUE ADDED TAX FROM STEVE BONNETT

TO DATE FOR: CCO'S: ~~50~~ 26 # 44 48 50 62 63 64 65 67 ~~7~~ 76 86 87 92 93 98 99

Steve Bonnett/D02/Caltrans/CAGov
09/19/2008 10:47 AM

To <schoy@abfjv.com>
cc "'Darryl Schram'" <darryl_schram@dot.ca.gov>, "'Jeff Ocampo'" <Jeff_Ocampo@dot.ca.gov>, "'Scott Fabel'" <Scott_Fabel@dot.ca.gov>
bcc
Subject RE: VAT issues

Sam,

The attached file "Provisional Regulation of China on Value-added Tax", in Article 4, is where I find that ZPMC is allowed to deduct taxes paid on materials from taxes due on exports.

The other attached files either list tax amount or state that the cost includes tax.

The 6.2% rate will be applied to the value of increases in contract item 52 - Furnish Structural Steel (Bridge) (Tower) and the 2.4% will be applied to the value of increases in contract item 55 - Furnish Structural Steel (Bridge) (Box Girder).

The percentages above were calculated by taking the agreed unit prices from your agreement with ZPMC for the tower steel and the OBG steel and removing the 4% VAT that is included in those amounts. Then the value of 12% tax was determined on the revised amount. That amount was reduced by the value of 17% tax paid on steel plate using $.68/kg as a cost. This resulting value was divided by the contract item cost to determine a rate to be applied as stated above.

This should answer all your questions.

Provisional Regulation of China on Value-added Tax.htm

Wuyang Stl Bill of Lading-Packing Slip with prices.pdf

Material Contract (2 pgs).pdf

Thanks

Steve
"Sam Choy" <schoy@abfjv.com>

"Sam Choy" <schoy@abfjv.com>
09/19/2008 10:07 AM
Please respond to <schoy@abfjv.com>

To "'Steve Bonnett'" <steve_bonnett@dot.ca.gov>
cc "'Jeff Ocampo'" <Jeff_Ocampo@dot.ca.gov>, "'Scott Fabel'" <Scott_Fabel@dot.ca.gov>, "'Darryl Schram'" <darryl_schram@dot.ca.gov>
Subject RE: VAT issues

Steve,

Please provide substantiation on "ZPMC paid 17% tax on the purchase of the plate that they deduct from their total tax liability", as we do not have assess to ZPMC's tax information nor are familiar with the Chinese Tax Law.

And please advise what the 6.2% and 2.4% are applying to? Please provide detail calculations on how you come to these percentages in order for us to determine whether the accuracy and the logic are acceptable to us or ZPMC.

Regards,

Sam

-----Original Message-----
From: Steve Bonnett [mailto:steve_bonnett@dot.ca.gov]
Sent: Friday, September 19, 2008 9:25 AM
To: schoy@abfjv.com
Cc: Jeff Ocampo; Scott Fabel; Darryl Schram
Subject: VAT issues

Sam,

The Department has come to an agreement on how we will compensate for the Chinese business tax or value added tax.

For increases in bid quantities of tower and OBG steel we will pay 6.2% for furnish tower steel and 2.4% for furnish OBG steel. These amounts take into account that the bid price has 4% tax in it, and that ZPMC paid 17% tax on the purchase of the plate that they deduct from their total tax liability. I used $.68/kg to determine the amount to apply the 17% purchase price tax on. I used the agreed price between ABF and ZPMC as a base.

For other changes for ZPMC we will pay 12% on the total charges from ZPMC for business tax.

Please let me know if you have any questions.

Thanks

Steve

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This message has been scanned for viruses and dangerous content by MailScanner, and is believed to be clean.

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This message has been scanned for viruses and dangerous content by MailScanner, and is believed to be clean.

Provisional Regulation of China on Value-added Tax

(Adopted by the 12th Executive Meeting of the State Council on November 26,1993, promulgated by Decree No.134 of the State Council of the People's Republic of China on December 13, 1993, and effective on January 1, 1994)

Article 1
All units and individuals which and who, in the territory of the People's Republic of China, sell goods, render services such as processing, repair and spare parts replacement, or import goods, shall be the taxpayers of value-added tax (hereinafter referred to as "taxpayers"), and should pay the value-added tax in accordance with this Regulation.

Article 2
The value-added tax rate shall be --

1. 17% for the taxpayers selling or importing goods, except as otherwise provided for in this Article (2) and (3). or

2. 13% for the taxpayers selling or importing the following goods:
(1) grains, edible vegetable oils;
(2) tap water, heating, air conditioning, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;
(3) books, newspapers, magazines;
(4) feeds, chemical fertilizer, agricultural chemicals, agricultural machinery, plastic film for farming purposes;
(5) other goods laid down by the State Council. or

3. zero for the taxpayers exporting goods, except as otherwise provided for by the State Council. or

4. 17% for the taxpayers rendering services such as processing, repair or spare parts replacement (hereinafter referred to as the "taxable service"). Any adjustment to the tax rate shall be made only by the State Council.

Article 3
A taxpayer dealing in goods or taxable services under different tax rates shall be required to separately calculate his sales amount of goods or taxable services under different tax rates. If he fails to make such calculation, the highest tax rate shall be applicable.

Article 4
Except as otherwise provided for in Article 13 of this Regulation, the value-added tax chargeable on the goods sold or taxable services rendered by the taxpayer (hereinafter referred to as the "sale of goods or taxable services") shall be the amount remaining from the sales tax amount of current period after deducting the purchases tax amount of current period. Its formula is as follows: Value-added Tax = Sales Tax Amount of Current Period - Purchases Tax Amount of Current

File not found

Firefox can't find the file at /C:/DOCU Regulatio of China on Value-adc Tax_files/

- Check the file name for capitali or other typing errors.
- Check

Period If the sales tax amount of current period is less than, and insufficient to offset against, the purchases tax amount of current period, the excess amount of purchases tax may be carried forward for set-off in the subsequent period.

Article 5
The sales tax amount of the taxpayer selling goods or taxable services shall be the amount of value-added tax which is assessed in accordance with the sales amount and the tax rate set out in Article 2 of this Regulation and collected from the purchaser. Its formula is as follows: Sales Tax Amount = Sales Amount X Tax Rate

Article 6
The sales amount shall be the total costs plus all other charges received from the purchasers by the taxpayer selling goods or taxable services, not including the sales tax amount received.

The sales amount shall be calculated in Renminbi. The sales amount in foreign currency of a taxpayer shall be converted into the amount in Renminbi in accordance with the exchange rate prevailing in the foreign exchange market for such calculation.

Article 7
If the price of the goods or taxable services sold by the taxpayer is obviously low without proper reasons, the competent tax authority shall calculate his sales amount.

Article 8 The purchases tax amount shall be the amount of value-added tax which is paid or borne by the taxpayer buying goods or receiving taxable services (hereinafter referred to as the "purchase of goods or taxable services").

Except as otherwise provided for in Paragraph 3 of this Article, the purchases tax amount that may be deducted from the sales tax amount shall be the amount of value-added tax indicated in --

1. the special value-added tax invoice obtained from the seller; or

2. the tax payment certificate obtained from the customs office.

The purchases tax amount deductible for the purchase of tax-free farm products shall be calculated in accordance with the purchasing price and deduction rate of 10%. Its formula is as follows: Purchases Tax Amount = Purchasing Price X Deduction Rate

Article 9
Where a taxpayer, in purchasing goods or taxable services, fails to obtain and retain pursuant to regulations the value-added tax withholding certificate, or where the value-added tax amount and other related items are not indicated on the value-added tax withholding certificate pursuant to regulations, no purchases tax amount may be deducted from the sales tax amount.

Article 10
No purchases tax amount of the following items may be deducted from the sales tax amount:
1. fixed assets purchased;
2. goods or taxable services purchased for non-taxable items;
3. goods or taxable services purchased for tax-free items;
4. goods or taxable services purchased for collective welfare or individual consumption;
5. abnormal loss of goods purchased;
6. goods or taxable services consumed in the production of work-in progress or finished products purchased which suffer abnormal loss.

Article 11
The value-added tax of the small-scale taxpayer selling goods or taxable services shall be assessed in accordance with the simplified method.

The criteria for small-scale taxpayers shall be laid down by the Ministry of Finance.

Article 12 The tax rate applicable to the small-scale taxpayers selling goods or taxable services shall be 6%.

Any adjustment to such rate shall be made only by the State Council.

Article 13 The value-added tax of the small-scale taxpayer selling goods or taxable services shall be assessed in accordance with the sales amount and the tax rate set out in Article 12 of this Regulation and no purchases tax amount may be deducted. The formula for assessing the tax amount payable is as follows: Tax Amount Payable = Sales Amount X Tax Rate The sales amount shall be calculated by applying mutatis mutandis the provisions of Articles 6 and 7 of this Regulation.

Article 14
A small-scale taxpayer who maintains a sound accounting and is able to provide accurate taxation records may not, subject to approval of the competent tax authority, be treated as a small-scale taxpayer, and in that case the value-added tax shall be assessed in accordance with the relevant provisions of this Regulation.

Article 15
In the case of the taxpayer importing goods, the value-added tax shall be assessed in accordance with the composite assessable price and the tax rate set out in Article 2 of this Regulation and no tax may be deducted. The formulas for the composite assessable price and for the tax amount payable are as follows: Composite Assessable Price = Customs Dutiable Price + Customs Tariffs + Consumption Tax

Tax Amount Payable = Composite Assessable Price X Tax Rate.

Article 16
The following items shall be relieved from value-added tax:
1. self-produced farm products sold by agricultural producers;
2. contraceptive medicines and devices;
3. antique books;
4. imported instruments and equipment directly used in scientific research, experiment and education;
5. imported materials and equipment from foreign governments and international organizations as assistance free of charge;
6. equipment required to be imported under contract processing, assembly and compensation trade;
7. articles imported directly by organizations for the disabled for special use by them;
8. sale of articles already used by the seller.

Except as provided for in the preceding paragraph, the items subject to exemption or reduction from the value-added tax shall be prescribed only by the State Council. No locality or department may prescribe any exemption or reduction from the value-added tax.

Article 17
A taxpayer dealing in tax-exempt or tax-reduced items simultaneously shall calculate his sales amount for tax-exempt or tax-reduced items separately; If he fails to make such calculation, no exemption or reduction may be allowed.

Article 18
A taxpayer whose sales amount has not reached the value-added tax minimum taxable threshold laid down by the Ministry of Finance shall be relieved from the value-added tax.

Article 19
The time at which the liability for paying the value-added tax arises shall be as follows:
1. In the case of selling goods or taxable services, it is the date of receiving sales money or

obtaining the document of title to collect such money.
2. In the case of importing goods, it is the date of import declaration.

Article 20
Value-added tax shall be collected by the tax authorities, and value-added tax chargeable on imported goods shall be collected by the customs offices on behalf of the tax authorities.

Value-added tax on self-used articles brought or mailed into China by individuals shall be assessed and collected together with Customs tariffs. The concrete measures shall be formulated by the Tariff Policy Committee of the State Council together with relevant departments.

Article 21
A taxpayer shall, in selling goods or taxable services, issue a special value-added tax invoice to the buyer, and record clearly the sales amount and sales tax amount on such invoice.

Where an invoice is needed to issue, an ordinary invoice shall be issued and no special value-added tax invoice may be issued under one of the following circumstances:
1. selling goods or taxable services to consumers;
2. selling tax-free goods;
3. selling goods or taxable services by small-scale taxpayers.

Article 22
Place of payment
1. A business with fixed establishment shall pay the tax to the competent tax authority in the place where its establishment is located. Where the head office and branch offices are not located in the same county (city), they shall pay the tax separately to their respective local competent tax authorities; The head office may, upon approval of the State Administration for Taxation or its authorized tax authority, gather together, and pay the tax to the competent tax authority in the place where the head office is located.
2. A business with fixed establishment selling goods in different counties (cities) shall apply for the issuance of an outbound business activities tax administration certificate from the competent tax authority in the place where its establishment is located and shall pay the tax to the competent tax authority in the place where its establishment is located. A business selling goods and taxable services in different counties (cities) without the outbound business activities tax administration certificate issued by the competent tax authority in the place where its establishment is located, shall pay the tax to the competent tax authority in the place where the sales activities take place; the competent tax authority in the place where its establishment is located shall collect the tax which has not been paid to the competent tax authority in the place where the sales activities take place.
3. A business without a fixed establishment selling goods or taxable services shall pay the tax to the competent tax authority in the place where the sales activities take place.
4. In the case of importation of goods, the importer or his agent shall pay the tax to the customs office where the imports are declared.

Article 23
The period for which payment of value-added tax can be made should be one day, three days, five days, 10 days, 15 days or one month. The actual period for a taxpayer shall be ratified by the competent tax authority according to the tax payable of the taxpayer; a taxpayer who cannot make a regular payment may pay the tax on a transaction-by-transaction basis.

In the period of one month, the taxpayer shall pay the tax within 10 days following the end of the period; in the case of the period of one day, three days, five days, 10 days or 15 days, the taxpayer shall prepay the tax within five days following the end of the period and a monthly tax return shall be filed with any balance of tax due settled within 10 days from the first day of the next month.

Article 24
A taxpayer importing goods shall pay the tax within seven days after the issuance of the tax

payment certificate by the customs office.

Article 25
A taxpayer exporting goods which the applied tax rate is zero shall, upon completion of export procedures with the customs office, apply for the tax refund on those export goods to the tax authority on a monthly basis based on such relevant documents as the export declaration. The concrete measures shall be formulated by the State Administration for Taxation.

Where the return of goods or the withdrawal of the Customs declaration occurs after the completion of the tax refund on the export goods, the taxpayer shall repay the tax refunded according to law.

Article 26
The administration of value-added tax collection shall be governed by the relevant provisions of the Law of the People's Republic of China on the Administration of Collection of Tax and this Regulation.

Article 27
The imposition of value-added tax on enterprises with foreign investment and foreign enterprises shall be governed by the relevant decisions of the Standing Committee of the National People's Congress.

Article 28
The Ministry of Finance is responsible for the interpretation of this Regulation and shall formulate the detailed rules for implementing it.

Article 29
This Regulation shall enter into force on January 1, 1994. The Regulation of the People's Republic of China on Value-added Tax (Draft) and the Regulation of the People's Republic of China on Product Tax (Draft), promulgated by the State Council on September 18, 1984, shall be repealed on the same date.

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Add:The 1003 room of the 3rd building of HengGi center.JianGuoMengNei Avenue No.18 BeiJing china
PC:100005 Tel:86-10-65179637 65179639
Fax:86-10-65179638
Email:webmaster@cabc.org.cn

Form # for the type of material.

recept # (packing ship)

4100064140

like Federal IRS. tax ID #

河南增值税专用发票

№ 00946519

007020429

Date

开票日期：2007年02月13日

购货单位	名称：上海振华港口机械(集团)股份有限公司 zpmc.	密码区	++05<-37+580<95<78>37 78<*7/67971<<8*52831< 89/*23199<7653*38--92 0642-1>264*9745>1>>-*
	纳税人识别号：310115607206953 to account #		加密版本：01 4100064140 00946519
	地址、电话：Address 浦南路3470# 58396666 phone #		
	开户行及帐号：021907-市分行第二营业部1001190709016203966		

货物或应税劳务名称	规格型号	单位	数量	单价	金额	税率	税额
钢板A709M-345T2-Z25 (steel plate) Description item description (product name)	70 specs ~~model number (plate number)~~	吨 unit Name unit (ton)	24.178 QTY	6445.6299115 Unit Price	155842.44 Total Amt	17% VAT tax Rate	26493.22 VAT Amt tax amount
合计					¥155842.44		¥26493.22 tax only
价税合计（大写）	⊗壹拾捌万贰仟叁佰叁拾伍圆陆角陆分 sub without tax						¥182335.66 total # (including tax)

H60700064

$ 7,541.39

销货单位	名称：舞阳钢铁有限责任公司 ← name of steel supplier	备注	
	纳税人识别号：410481706575279 ← ~~account #~~		
	地址、电话：舞钢市湖滨大道西段 0375-8111542 Address of seller		
	开户行及帐号：河南省舞钢市工行寺坡分理处 1707124909021070173		

收款人：牛丽静 Bank address. 复核：account # 李春芬 开票人：陈权红 舞阳钢铁有限责任公司 发票专用章 (章)

国税函[2006]622号西安印钞厂

第二联：发票联 购货方记帐凭证

4100064140

河南增值税专用发票

№ 00946539

007020429

开票日期：2007年02月13日

购货单位	名称：上海振华港口机械(集团)股份有限公司	密码区	3+95+<4>519479<0*3>/2 679551159/269810-9065 0*416+0-<321376-<*--+ 23*7*8*--6-3>3025>>92
	纳税人识别号：310115607206953		加密版本：01 4100064140 00946539
	地址、电话：浦南路3470# 58396666		
	开户行及帐号：021907-市分行第二营业部1001190709016203966		

货物或应税劳务名称	规格型号	单位	数量	单价	金额	税率	税额
钢板A709M-345F2-X-Z25	18	吨	5.086	6056.1502168	30801.58	17%	5236.27
合计					¥30801.58		¥5236.27
价税合计（大写）	⊗叁万陆仟零叁拾柒圆捌角伍分				（小写）¥36037.85		

H60700056

$ 7,085.70

销货单位	名称：舞阳钢铁有限责任公司	备注	
	纳税人识别号：410481706575279		
	地址、电话：舞钢市湖滨大道西段 0375-8111542		
	开户行及帐号：河南省舞钢市工行寺坡分理处 1707124909021070173		

收款人：牛丽静 复核：李春芬 开票人：陈权红 舞阳钢铁有限责任公司 发票专用章 (3) (章)

国税函[2006]622号西安印钞厂

第二联：发票联 购货方记帐凭证

H607000056

上海振华港口机械(集团)股份有限公司

Shanghai Zhenhua Port Machinery Co., Ltd.

采　购　合　同

Purchase Contract

合同编号 Contract No.: HG0700070

购货单位：	上海振华港口机械（集团）股份有限公司	（甲方）	签约地点： 上海
Purchaser:	Shanghai Zhenhua Port Machinery Co., Ltd.	(Party A)	Signing place Shanghai
供货单位：	舞阳钢铁有限责任公司	（乙方）	签约时间： 2007-1-12
Supplier:	Wuyang Steel & Iron Co., Ltd.	(Party B)	Signing date:

为体现合同的严肃性，保护各自的权益和应尽义务。经甲乙双方充分协商特订立本合同，双方须严格遵守执行。

In order to define their respective rights and obligations, Party A and Party B, through negotiations, hereby enter into this Contract, on and subject to the terms and conditions as set forth below.

一、供货内容

I. Scope of Supply

重要性：A　　订单编号：04136D1454

Importance: A　　Order No.: 04136D1454

详见附件 Refer to annex for details	叁仟贰佰叁拾叁万柒仟叁佰捌拾叁元壹角陆分	32,337,383.16

二、产品的技术标准（包括质量要求）

II. Technical Standard of Products (including quality requirements)

1. 按国家标准执行；☐

As per national standard: ☐

2. 按部颁标准执行；☐

As per ministry standard: ☐

3. 按企业标准执行；☐

As per enterprise standard: ☐

4. 甲方有要求的，按双方在合同中商定的技术条件、样品、补充要求　美国钢桥技术协议　执行。

As per the technical conditions, samples and supplementary requirements (Specifications of US San Francisco Oakland Bay Bridge Supply Agreement) as agreed upon by both parties in this Contract, if so required by Party A.

5. 乙方的质量保证：提供材料生产方质保书并加盖乙方公章或质保章。

Party B's quality assurance: provide the QA statements of material manufacturers, affixed with Party B's common seal or QA seal.

6. 乙方应选择环保产品，出口产品及包装应符合出口国的环保要求。否则，引起的退货、索赔等由乙方负责。

[illegible]内. 附件 合同号:
ply Scope Contract
ıex No.: HG0700070

产品名称 Product name	标准 Standard	规格 Specs	材质 Material	单位 Unit	订购数量 Ordered qty	单价(含增值税) Unit price (VAT inclusive)	总金额(含税) Total price (tax inclusive)	交货时间 Delivery time	交货地点 Place of delivery	清单编号 List No.	产品工号 Product No.	采购要求 Purchase requirement
低合金板 Low alloy plate		60	A709M-345T2-Z25	T	77.86	7215.89	561800.33	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2900*9500
低合金板 Low alloy plate		60	A709M-345T2-Z25	T	68.95	7215.89	497564.48	07-02-28	CHANGXING BASE	GB701009	ZP06-787	3050*8000
低合金板 Low alloy plate		60	A709M-345T2-Z25	T	52.56	7215.89	379296.04	07-02-28	CHANGXING BASE	GB701009	ZP06-787	3100*6000
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	165.32	7541.39	1246750.14	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2000*9000
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	86.79	7541.39	654547.40	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2100*8100
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	46.54	7541.39	350938.58	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2400*9500
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	80.82	7541.39	609525.31	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2400*11000
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	20.41	7541.39	153919.77	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2500*8000
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	25.51	7541.39	192403.48	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2500*10000
低合金板 Low alloy plate		65	A709M-345T2-Z25	T	56.13	7541.39	423283.14	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2500*11000
低合金板 Low alloy plate		70	A709M-345T2-Z25	T	74.18	7541.39	559442.93	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2500*9000
低合金板 Low alloy plate		70	A709M-345T2-Z25	T	101.99	7541.39	769123.74	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2900*8000
低合金板 Low alloy plate		70	A709M-345T2-Z25	T	149.90	7541.39	1130484.53	07-02-28	CHANGXING BASE	GB701009	ZP06-787	3100*8000
低合金板 Low alloy plate		75	A709M-345T2-Z25	T	56.52	8134.58	459766.46	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2400*10000
低合金板 Low alloy plate		75	A709M-345T2-Z25	T	13.78	8134.58	112070.11	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2600*9000
低合金板 Low alloy plate		75	A709M-345T2-Z25	T	32.44	8194.67	265835.09	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2900*9500
低合金板 Low alloy plate		75	A709M-345T2-Z25	T	121.87	8194.67	998692.63	07-02-28	CHANGXING BASE	GB701009	ZP06-787	3000*11500
低合金板 Low alloy plate		80	A709M-345T2-Z25	T	108.52	8194.67	889269.20	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2700*8000
低合金板 Low alloy plate		90	A709M-345T2-Z25	T	123.61	8660.37	1070499.68	07-02-28	CHANGXING BASE	GB701009	ZP06-787	2400*8100