

China further refines VAT credit refund policy to better target key sectors

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BEIJING, Sept. 29 -- China has further refined its value-added tax (VAT) credit refund policy to sharpen its focus on manufacturing, technological innovation and green development and make tax incentives more targeted. In the year since the measures took effect, 281.8 billion yuan (about 41.8 billion U.S. dollars) in refunds have been issued, the State Taxation Administration said Tuesday.

Manufacturing, scientific research, software and environmental protection sectors accounted for 212 billion yuan of the total, with their combined share rising to 75.2 percent from the same period before the new policy took effect, the tax authority said.

Manufacturing alone received 191.4 billion yuan, accounting for 67.9 percent of the total, with its share rising 20.2 percentage points from the comparable period before the policy took effect.

VAT credit refunds allow eligible businesses to get refunds for input VAT they have already paid, rather than carrying the credits forward to offset VAT payable on future sales. By bringing forward the timing of the refunds, the policy gives businesses more funds for technological upgrades and investment in innovation.

China has continued to refine its VAT credit refund policy in recent years. In August 2025, the Ministry of Finance and the State Taxation Administration announced that, starting in September, eligible businesses in manufacturing, scientific research and technical services, software and information technology services, and ecological protection and environmental governance would be allowed to apply for full monthly refunds of end-of-period excess VAT credits.

The policy adjustment puts greater emphasis on supporting manufacturing, technological innovation and green development, while also making the policy more targeted, said Liang Ji, director of the public revenue research center at the Chinese Academy of Fiscal Sciences.

The move came as China moved to establish a more stable, long-term mechanism for VAT credit refunds, following earlier measures introduced in response to changing economic conditions.

The tax authority said it would continue to improve the long-term refund mechanism and refine related services to ensure that policy benefits reach businesses.

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