

China: New regulations on Social Organisations' tax compliance

Monday 19 March 2018, by [HUILING Tang](#) (Date first published: 2 February 2018).

Civil society groups will be excluded from tenders and grant schemes if they do not submit tax returns and annual reports. CSOs have mushroomed in recent years, thanks to municipal and county outsourcing of social work activities in particular. The conditions applicable to Social Organisations (the most common form of Chinese CSOs) are set out in the new Regulation on Social Organisation Credit Information Management (《社会组织信用信息管理办法》).

On the 24th of January, the Ministry of Civil Affairs announced that the Regulation on Social Organisation Credit Information Management (《社会组织信用信息管理办法》) was adopted on the 12th of January in a departmental meeting, and will come into force upon promulgation.

According to the new regulation, the Ministry of Civil Affairs will supervise the information management work. The administrative office shall protect state secrets, trade secrets and personal privacy while carrying out the work. The credit information of social organisations is made up of their basic information, annual work report information, administrative inspection information and "other information".

To deal with social organisations who don't fulfil their obligations and display illegal conduct, two lists will be set up. One will include social organisations with abnormal activities, and another will include social organisations that have committed serious illegal and dishonest acts.

A social organisation will be considered to have committed abnormal activities in seven cases, including if it doesn't submit its annual work report to the administrative office in accordance with the prescribed time limit and requirements, or if it doesn't rectify any problems that are discovered within the time limit set by the "rectification paper".

Eight cases are given in which a social organisation will be identified as having committed "serious illegal and dishonest acts". These include if it has been classified as a social organisation with abnormal activities for two years; if it has been subjected to administrative penalties to stop its activities; if it has been listed as a court order defaulter by the judiciary; or if it has been deregistered by the administrative office.

The administrative office and other relevant departments can impose penalties on social organisations that are listed as having serious illegal and dishonest acts. The government will not purchase public services from the social organisations in question, and they cannot receive financial aid from the government. In contrast, social organisations with good credit will be given priority for government procurement, financial aid and policy support.

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