



This article is an excerpt of the book “**Financial, Administrative and Trade Management in China: A crash course for executives for a successful and compliant business operation**”, available e.g. on [Amazon Kindle](#), [Google Play](#) and [Apple Books](#).

### 5.3. Chinese Invoice System: Fapiao

While in many western countries an invoice is just a document printed on a normal printer, in China it is a different story. Fapiao is a special type of invoice that has to be purchased in the local tax office by an authorized employee, afterwards the company can print the values into it with special printers. The employee has to present:

- The last Fapiao booklet with any unused Fapiao
- ID Card of the employee
- Special Fapiao seal
- Tax Registration Certificate.

Using a specialized tax software, GoldenTax, the Fapiao will get filled with the relevant information and can then be used for business transactions.

To make things more complicated, there are different types of Fapiao.

For each issuing company there is a limit on the maximum value that can be issued a Fapiao with, possibly leading to multiple Fapiao for one business transaction.

It is the legal requirement for businesses to issue a Fapiao if asked for by a customer. If a business does not have the necessary infrastructure to print them themselves, the tax office can do it for them.

#### First-time setup

Setting up the Fapiao printing system requires a high involvement of the local tax authorities since they will have requirements for the hardware, the IC card for printing Fapiao or the software.

#### Penalties for wrong Fapiao

If a company receives an invalid or even fake Fapiao, it can be punished with penalties. Therefore, checking incoming Fapiao is an important task of the finance department to prevent legal risks.

#### Authenticity of Fapiao

The authenticity of all kind of Fapiao issued in the last year can be checked through the following official website using the information on the Fapiao:

<https://inv-veri.chinatax.gov.cn>

#### Fapiao-Type: Special VAT Fapiao

The special VAT Fapiao (增值税专用发票) allows the purchasing company to deduct the incoming VAT from their own VAT out payments.

Here is a list of common things to check when Fapiao are received:

- Top: It must be chopped by the tax authority.


- Top Left: The information of the receiving company must be filled in completely (Company Name, Tax Number, Company Address, Phone Number, Bank Name and Bank Account).
- Middle: A detailed description of the goods and services received, including a standardized category (e.g. **\*\*Category\*\*** Name of Goods), the amount of goods, the net value and the tax. If there are so many items that they cannot be mentioned in detail, the Fapiao can refer to an additional added document with the detailed list of items and amounts.
- Bottom Left: Company information of the issuing company (Company Name, Tax Number, Address, Phone Number, Bank Name and Bank Account)
- Bottom (right): The Fapiao must be chopped with the Invoice Chop of the issuing company. The chop must be clear and the tax ID in the chop must match the tax ID on the bottom left.

In the following diagram, you can see all the important information that should be filled in for a valid Fapiao: If you can check all the checkboxes (“”) on your Fapiao, it most probably is valid.



This article is an excerpt of the book “**Financial, Administrative and Trade Management in China: A crash course for executives for a successful and compliant business operation**”, available e.g. on [Amazon Kindle](#), [Google Play](#) and [Apple Books](#).

收 款 人： 复 核： 开 票 人：		名 称： 纳税人识别号： 地 址、电 话： 开 户 行 及 账 号：		名 称： 纳税人识别号： 地 址、电 话： 开 户 行 及 账 号：		名 称： 纳税人识别号： 地 址、电 话： 开 户 行 及 账 号：	
价 税 合 计 ( 大 写 ) 合 计		价 税 合 计 ( 小 写 ) 价 税 合 计 ( 大 写 )		价 税 合 计 ( 小 写 ) 价 税 合 计 ( 大 写 )		价 税 合 计 ( 小 写 ) 价 税 合 计 ( 大 写 )	
<input type="checkbox"/> *Category* Product?		<input type="checkbox"/> Written value in fraud-resistant letters		<input type="checkbox"/> Encrypted information of the Fapiao here		<input type="checkbox"/> Chinese company name <input type="checkbox"/> Tax number <input type="checkbox"/> Address <input type="checkbox"/> Bank information	
物 资 或 应 税 劳 务、服 务 名 称		规 格 型 号		单 位		数 量	
<input type="checkbox"/> Unit		<input type="checkbox"/> Unit		<input type="checkbox"/> Price per Unit		<input type="checkbox"/> Total net price	
<input type="checkbox"/> Tax Rate		<input type="checkbox"/> Tax Rate		<input type="checkbox"/> Total Tax		<input type="checkbox"/> Total Tax	
密 码 区		<input type="checkbox"/> Company Name <input type="checkbox"/> Tax number <input type="checkbox"/> Address <input type="checkbox"/> Bank information		<input type="checkbox"/> Fapiao value incl. Tax		<input type="checkbox"/> Tax number <input type="checkbox"/> Address <input type="checkbox"/> Bank information	



12334567890

校验码：Checksum number here

河北增值税专用发票

099088888

123343358888

12356789

开票日期：Date

第一联：记账联销售方记账凭证

Figure 3: Chinese Fapiao

The special VAT Fapiao comes with three layers: one for the bookkeeping of the issuing company, one tax deduction voucher for the receiving company and a bookkeeping voucher also for the receiving company.

### Fapiao-Type: Paper normal Fapiao

The normal Fapiao is very similar to the Special VAT Fapiao, except that the title is “增值税普通发票” and it is not required to fill in the Company Address, Phone Number, Bank Name and Bank Account of the receiving company.

The normal Fapiao only has two pages. It cannot be used to deduct VAT for purchase from the VAT for sales.

### Fapiao-Type: Electronic normal Fapiao

Since the end of 2015, electronic normal Fapias have the same legal effect as paper-based ones. It is noteworthy that due to the special paper and printouts for companies it is much easier to control the re-use of already submitted Fapiao compared to the electronic version since it can be printed easily again on normal paper. Especially during reimbursement procedures, a fraudulent person could try to use it for multiple reimbursement procedures. Proven methods for control are e.g. that electronic Fapiao must be handed in within 3 months after their issue or that a consumption record has to be filled out.

### Generic/Small value Fapias

This kind of Fapiao can take many forms and will be mostly bought pre-printed with the values. They are mostly handed out for taxi fees, highway tolls, etc. They should mention the issuing authority, the value and the kind of service received.

### Cancellation of Fapiao

After printing a Fapiao, it is possible to cancel them. This should be done in the same period though when it was issued.



This article is an excerpt of the book “**Financial, Administrative and Trade Management in China: A crash course for executives for a successful and compliant business operation**”, available e.g. on [Amazon Kindle](#), [Google Play](#) and [Apple Books](#).

### **Best practices to avoid pitfalls**

- Since wrong Fapiao can lead to penalties also for the receiving company and/or will not be accepted for tax deduction of the corporate income tax, they should be checked formally with the criteria above before they get booked.
- Obtaining correct Fapiao can be a lengthy process and if a company prints an incorrect one, it is recommended to train the staff regularly receiving Fapiao in identifying common problems or mistakes so that they can refuse an incorrect Fapiao after they have already received it.
- Please note that there have been cases of fake Fapiao. It is recommended to check the validity of the invoices online with the tax authorities.
- Since they have to be bought in advance, in some cases the company might not have any in stock. It is common practice, though, that the provider of services/goods will send them for free to the receiving company a few days later.
- The formal requirements for Fapiaos are changing regularly. Make sure that you are up-to-date with the latest regulations.
- To ensure valid Fapiao, companies sometimes hand out the relevant information in a “business card” format to their employees. WeChat also has a corresponding function in which you can save the Fapiao data which can ensure that your staff always has the relevant Fapiao information available.
- Due to the obligation of companies to issue a Fapiao, your customers might decline paying if they do not obtain a Fapiao. Since purchasing of new Fapiaos can take some time, this can bring cash flow challenges if you suddenly run out of Fapiao papers.
- You can only create Fapiao for business that is covered by your business license. If your company covers service or transportation, these costs should be added to the product price and not be mentioned separately in the Fapiao.