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CHINA

China's new export tax refund measures: compliance changes in 2026.

Since the new VAT Law and its Implementation Regulations came into effect on 1 January 2026, China's tax administration framework has entered a more refined and systematised phase. A key milestone in this transition is the issuance of State Taxation Administration Announcement No. 5 of 2026, which promulgates the Administrative Measures for VAT and Consumption Tax Refund Exemption on Export Businesses. These New Measures formally replace Announcement No. 24 of 2012, which had governed export tax refunds for more than a decade.

The change represents far more than a textual revision. It is a structural upgrade aligned with the new VAT Law, incorporating accumulated administrative practice and reshaping the overall management logic for export tax refund administration.

From goods and services to a comprehensive business framework

The most fundamental shift lies in the expansion of legislative scope and positioning. The Old Measures were titled Administrative Measures for VAT and Consumption Tax on Export Goods and Services, with a core focus on the export of traditional goods and processing, repair and replacement services. The New Measures change the title to Administrative Measures for VAT and Consumption Tax Refund (Exemption) on Export Businesses, explicitly introducing the concept of "export business" for the first time.

This repositioning aligns with the revision in the new VAT Law that fully integrates processing, repair and replacement services into the broader category of "supply of services." In practice, the management scope of the New Measures naturally extends to cover refund and exemption matters for cross-border taxable services. It also preserves an interface for service trade that may be brought within the refund scope in future, constructing a more inclusive and forward-looking management framework.

Key rule changes under the new measures

The New Measures do not operate independently. Together with other policy documents issued around the same time, they form a coordinated export tax ecosystem under the new VAT framework.

Clarifying the relationship between administrative measures and preferential policies

The positioning of the New Measures (Announcement No. 5) differs clearly from that of the concurrently issued Announcement on the Articulation of VAT Preferential Policies Following the Implementation of the VAT Law (Announcement No. 10 of 2026). In essence, the New Measures function as the "basic law" and operational manual determining how to calculate and declare export refunds and exemptions. They set out mandatory administrative procedures.

By contrast, the specific scope and conditions for tax preferences such as zero-rating and exemption for cross-border services are stipulated by policy documents such as Announcement No. 10. Enterprises must first determine whether their business qualifies under Announcement No. 10 and then follow the declaration procedures set out in the New Measures.

Adjustments to industry specific refund policies

Simultaneously with the implementation of the New Measures, the Ministry of Finance and the State Taxation Administration have adjusted export VAT refund policies for selected industries. For example, the VAT export refund for photovoltaic products will be cancelled with effect from 1 April 2026. The export refund rate for battery products will be reduced from 9 per cent to 6 per cent between 1 April and 31 December 2026 and will be cancelled entirely from 1 January 2027.

These changes are likely to trigger a short-term increase in export activity during the first quarter of 2026 as enterprises seek to secure higher refund rates before the policy shift. Affected businesses must pay close attention to customs declaration timing and reassess long term pricing, cost structures and contract arrangements.

Refinement of Administrative Procedures

The New Measures also introduce refinements to declaration deadlines, documentation management and review procedures. Enterprises should monitor the detailed operational guidance issued by their competent tax authorities and ensure that internal processes are aligned accordingly.

A three-step response for export enterprises

Facing the transition between the old and new measures alongside related policy adjustments, export enterprises should act promptly across three areas.

Step 1: Internal diagnosis and policy benchmarking (Initiate immediately)

- **Review export business structure:** Conduct a comprehensive stock-taking of all export businesses, clearly distinguishing between types such as goods export and cross-border services (e.g., R&D, design, software services).
- **Conduct Policy Applicability Assessment:** Compare each export business item against preferential policy announcements like Announcement No. 10 of 2026 to determine whether the “exemption, credit and refund,” “tax exemption,” or “deemed domestic sales and taxation” policy applies.
- **Assess industry-specific impact:** For sectors affected by refund adjustments such as photovoltaics and batteries, review existing contracts and production schedules and quantify the financial impact before and after 1 April 2026.

Step 2: Process updates and system adaptation (Complete by end of March 2026)

- **Study the new measures and update internal control processes:** Organize finance, tax and customs teams to thoroughly study all clauses of the New Measures (Announcement No. 5), focusing on comparing operational differences with the Old Measures, and update the internal Export Tax Refund Operation Manual.

- **Upgrade document management system:** Improve the collection and archiving processes for electronic and paper documents based on the New Measures' requirements for filing documents and declaration materials to ensure compliance.
- **Coordinate IT system adjustments:** Communicate with software service providers to ensure that financial and ERP systems can support the declaration form formats, data calculation logic and declaration interface requirements under the New Measures.

Step 3: Dynamic Tracking and Professional Collaboration (Ongoing)

- **Monitor guidance from local tax authorities:** Closely follow localized implementation guidelines, training notices and declaration system update prompts issued by the competent tax bureau regarding the implementation of the New Measures.
- **Leverage professional institutions:** For enterprises with complex operations, a high proportion of cross-border services or those significantly impacted by policy changes, actively consult professional institutions like Acclime for targeted impact analysis and planning advice.
- **Develop emergency communication plans:** Establish rapid communication channels with tax authorities for potential declaration queries or document recognition disputes during the policy transition period.

A new era of export tax refund administration

The issuance of Announcement No. 5 of 2026 by the State Taxation Administration signals a new stage in export tax refund governance under the VAT Law. The emphasis has shifted towards systematic coordination, clearer policy layering and more precise administrative control.

For enterprises, adapting to the new framework requires more than reviewing revised wording. It demands a comprehensive assessment across policy interpretation, internal control systems and commercial strategy. By proactively aligning operations with the integrated structure of VAT Law, preferential policies and administrative measures, businesses can maintain compliance efficiency, mitigate tax risk and navigate sector specific policy adjustments with greater certainty.

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HONG KONG

Regulated businesses in Hong Kong: licensing and banking essentials for 2026.

As Hong Kong moves through 2026, its regulatory environment is shaped by greater clarity, capital discipline and a clear emphasis on operating substance. Policy, licensing frameworks and banking standards are aligned, creating an environment that favours credible business models and demonstrable compliance readiness.

For businesses entering or expanding in Hong Kong, this alignment directly affects market access. Higher capital thresholds, defined licensing pathways and stricter onboarding standards require corporate structure, substance and compliance planning to be coordinated from the outset.

Regulatory alignment within Hong Kong's framework

Hong Kong's approach has been consistent: new sectors are integrated into the existing regulatory architecture rather than governed under parallel regimes. This applies across precious metals, asset management and virtual assets.

For internationally active businesses, this consistency offers three structural advantages:

- Predictable licensing pathways grounded in established legal frameworks
- Alignment with international AML and capital standards
- Banking systems that are willing to support regulated activity, provided compliance expectations are met

However, these advantages are only realised when licensing, governance, compliance and banking strategy are planned together. Fragmented planning increasingly results in onboarding delays, licence queries or account rejections.

Key regulated sectors shaping 2026

Three sectors illustrate how Hong Kong's regulatory model operates in practice.

Precious metals

Hong Kong ranks among the world's leading hubs for gold import, export and storage. Its position as a financial safe haven, combined with transparent infrastructure, continues to attract institutional participants.

In 2026, further institutionalisation is expected with the launch of a central gold clearing system, reinforcing Hong Kong's settlement capabilities.

Licensing framework

[The Dealers in Precious Metals and Stones \(DPMS\)](#) regime, administered by the [Customs and Excise Department](#), governs sector participants. It aligns with Financial Action Task Force standards and imposes AML and CFT controls.

Two registration categories apply:

- **Category A** – Non-cash transactions at or above HKD 120,000
- **Category B** – Cash and non-cash transactions at or above HKD 120,000, with enhanced AML/CFT requirements

Beyond registration, success in this sector depends on clear transaction narratives, appropriate tax structuring and risk controls suited to cross-border commodity flows.

Asset management

Hong Kong remains one of Asia's largest asset management centres. Regulatory clarity, competitive fund structures and global connectivity continue to attract fund managers and family offices.

A defining feature of the framework is regulatory neutrality: same business, same risks, same rules. Tokenised products are regulated under existing securities standards, with technology treated as infrastructure rather than a regulatory distinction.

Licensing framework

Asset managers must be licensed by the [Securities and Futures Commission \(SFC\)](#). The most relevant licence types include:

- **Type 9** – Asset management
- **Type 4** – Advising on securities
- **Type 1** – Dealing in securities

In practice, licensing is only one component. Firms must implement governance covering:

- AML and CFT controls
- Suitability and investor protection
- Valuation methodology
- Custody arrangements

Tax structuring also plays a central role, particularly where managers rely on Hong Kong's carried interest concession.

Crypto and virtual assets

Hong Kong has moved beyond regulatory experimentation in virtual assets. The licensing regime for centralised exchanges is live, and additional frameworks for stablecoins, OTC desks and custodians are progressing.

Rather than creating a standalone crypto regime, Hong Kong integrates digital assets into its broader financial regulatory system. This provides clarity for institutions and confidence for banks.

Licensing framework

Since 1 June 2023, centralised platforms providing virtual asset trading services in or marketing to Hong Kong must hold licences under:

- The Securities and Futures Ordinance (Cap. 571)
- The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)

Security token platforms additionally require:

- SFC Type 1 (Dealing in Securities)
- SFC Type 7 (Automated Trading Services)

Three factors sustain market momentum in 2026:

- Regulatory certainty through an operational licensing system
- Defined go-to-market pathways
- Institutional banking participation under the Basel-aligned capital standard

Compliance, banking and substance: operational realities

As frameworks mature, expectations from banks and regulators have intensified. The shift is visible when businesses move from incorporation to licensing and account opening.

Higher onboarding thresholds

Banks now conduct deeper KYC reviews for businesses operating in regulated or cross-border sectors. Documentation must go beyond corporate formation papers. Institutions increasingly require:

- Clear transaction logic
- Identified counterparties
- Demonstrable governance controls
- Evidence of risk management systems

Operating substance is demonstrable, not theoretical

Substance now requires operational proof.

Businesses are expected to show:

- Active counterparties rather than projected relationships
- Transaction flows aligned with stated activity
- Decision-making connected meaningfully to Hong Kong

Licensing and banking readiness are interdependent

In regulated sectors, banks frequently require full licensing clarity before onboarding. Provisional approvals rarely suffice.

As a result, licensing strategy and banking preparation must be coordinated from the outset rather than approached sequentially.

Final thoughts

Hong Kong's regulatory environment in 2026 reflects deliberate alignment between policy, capital markets and institutional standards. The frameworks for precious metals, asset management and virtual assets are clear and operational. However, they demand preparation.

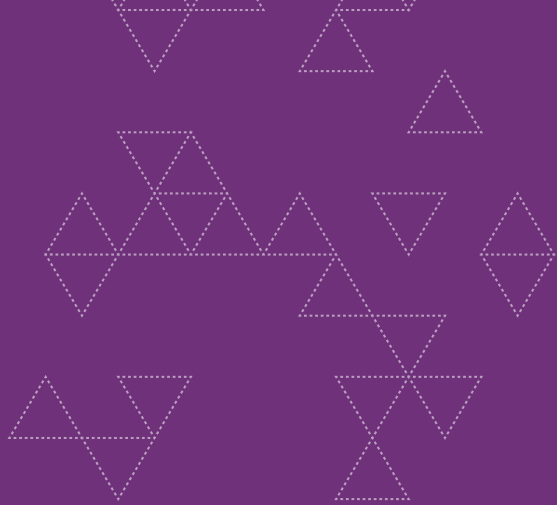
Businesses that succeed approach structure, licensing, compliance and banking as interconnected decisions. Those that treat them as separate steps often encounter friction. Understanding how these elements interact and planning accordingly remains the most reliable way to enter Hong Kong's regulated sectors with confidence and continuity.

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