Despite the above, the authors’ general description of accounting, auditing and tax framework is easily adequate for the intended purpose. It is logical and easy to follow. Each chapter has a common format, i.e., an outline of the main points followed by a description of the pertinent regulations. Sometimes, the authors offer their comments on likely future developments in the relevant areas. However, the authors’ use of Russian terminology sometimes does not enhance a Western reader’s understanding of the comparisons between Russian and international practices and rules.

In some cases, the book presents the point of view of the authors, which could be open to argument. For example, one may not agree with the explanation of the postulates of auditing of Mautz and Sharaf and of the correctness of the postulates of auditing in Russia, as suggested by Prof. Yaroslav Sokolov (pp. 85–86).

It should be pointed out, in particular, that the Russian understanding of the term “accounting” differs from that used in the West. In the Russian language, its primary meaning is the maintenance of the accounting records, and its secondary meaning is financial reporting. In this regard, the book provides the Chart of Accounts, with the description of each account, together with an overview of management accounting in Russia. A Western reader may be interested to see the standard forms of statutory financial statements, which include the balance sheet, income statement, cash flow statement, flow of equity and funds statement, and disclosure in the form of notes. The forms are followed by the translation of detailed instructions for their preparation.

The historical outlook of the development of Russian accounting and auditing (e.g., pp. 113–122, 211–215, etc.) may be particularly useful as part of the introduction to Russian accounting and auditing. On the one hand, it facilitates an understanding of the problems and current situation in those areas, and, on the other, it may call into question some Western stereotypes.

With the Russian economy becoming an inseparable part of the world economy, the book becomes a valuable source of information which may be helpful in understanding the peculiarities of doing business in the Russian Federation. Thus, for both professionals and a general audience, if one seeks an overview of the framework of Russian accounting, auditing and taxation, this is the right book to choose.

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China’s economy has been witnessing a number of significant developments and structural changes since its liberalization. Factors such as the foreign investment brought in by China’s open door policy, the establishment of multinational industrial and commercial enterprises, and the change from regulating the economy by capital and resource allocation driven by policy directives to governmental reliance on fiscal policy, made taxation reforms indispensable. These reforms concern the Chinese corporate income tax system,
its indirect tax system, the individual income tax system and others, which are dealt with in this book.

*Taxation Reforms in China* is addressed as essential reading and valuable reference material to students and professionals who have an interest in learning about China’s present taxation system. The articles provide readers who are interested in the evolution of China’s tax system with in-depth background information and provide professionals with a quick overview of China’s present taxation system.

The book is a reader consisting of 10 articles, dealing with various taxation topics and problems. Most of the articles were published earlier in the professional journal, *The Hong Kong Accountant*.

The first article, written by the editor, Stella Cho, gives a brief overview of the three major phases in the reform of China’s taxation system since the founding of the People’s Republic of China (PRC) in 1949. Furthermore, it provides a good insight into the evolution of taxation development and the material changes since 1980, as well as into the current taxation system, which was enacted five years ago in the 1994 tax reform. The following nine articles refer to the changes in, and the characteristics of, the major new taxes, the emerging tax implications, including tax exemptions and incentives, as well as the planning opportunities for foreign entities or foreign individuals operating in China. The major taxes with which foreign investors have to cope include the Enterprise Income Tax for Foreign Investment Enterprises and Foreign Enterprises, the Individual Income Tax, the Value Added Tax (VAT), the Business Tax (BT), and the Real Property Gains Tax (RPGT).

The title of the second article is “The 1991 Income Tax Law for Foreign Investment in China — Changes and Implications for Foreign Investors.”¹ This chapter deals briefly with the major defects in the two old (i.e., before 1991) Income Tax Laws and explains the necessity for their revision. The major changes in the new Income Tax Law are, among others, the consolidation of the two old laws into one, the adoption of a uniform flat tax rate, and the establishment of additional tax incentives. The implications and impacts of the new Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises — also known as the Unified Enterprise Income Tax Law (1991, UEITL) — on the economic and business environment are dealt with in the following article.² The fourth article in the book³ discusses the background leading to China’s individual income tax reform in 1994, the changes arising from the revised law, and its significance and implications for individuals in China.

Articles 5 and 6 discuss the newly established unified and reasonably neutral multi-stage VAT which, in January 1994, became the principal turnover tax in China and which is applicable to domestic and also foreign enterprises. Before 1994, four different kinds of sales turnover taxes were found in China: VAT, Product Tax (PT), BT, and the Consolidated Industrial and Commercial Tax (CICT). The first two taxes applied to domestic enterprises that imported or produced goods, BT applied to domestic enterprises that ran their business in the services industry, and the last-mentioned CICT was applied to foreign enterprises or individuals in industrial production. The fifth article informs readers about the features of the new VAT and provides a comparison with the tax systems in the U.K., Canada and Singapore. The sixth article treats the major changes in VAT since January 1994, including increase in customs duty and the VAT exemptions on certain imported goods, as well as the new regulations concerning the VAT refund on exports.
The eighth article illustrates the new role of the BT in China, which is the principal tax on the services industry, and payable by all units or individuals who offer taxable services, transfer intangible assets or sell immovable properties. The article gives an overview of the historical development of the tax and of its administration, and it discusses the economic impacts of the Chinese Business Tax. Further, it informs the reader of the various tax rates, depending on the taxable items and the taxation system, because VAT and BT are mutually exclusive taxes, with the consequence that, if a taxpayer’s income is subject to VAT, no BT will be charged on the same income.

The new RPGT was introduced in the course of the taxation reforms in 1994 to limit speculative activities in the Chinese real estate market. This new tax is explained in the seventh article by the editor and Samuel Y. S. Chan, including an overview of the history of real estate ownership in China, the rapid growth of the real estate market, the problems in the Chinese real estate market and resulting reasons for introducing RPGT, the comprehensiveness of the tax, the tax rates and so on. Profits and gains arising from the sale or transfer of land, buildings and structures in China are subject to this new RPGT. The RPGT is in addition to the BT, the Income Tax for Enterprises or Individuals, and certain other taxes, and it is computed by a different set of progressive tax rates.

Since China opened its doors to foreign investors, the inflow of foreign investments and advanced technology have come to play an important role of China’s economy. Multi-national companies try to transfer — under international practice — profits from high-tax countries to low-tax regions, and so China was faced with the problem of foreign companies trying to avoid Chinese tax in many circumstances, while trying to take advantage of its tax incentives. So the last but one article of the book deals with China’s Tax Administration and its Transfer Price Issues, like the tax audit procedure for transfer pricing, which were necessary to protect China’s economy from the harmful effects of the transfer pricing practices of foreign companies.

The last article in the book is a discussion of the future direction of China’s Tax Reform, and it presents brief statistics and overviews of China’s sales taxes (VAT and BT), its Individual Income Tax and the Tax Administration.

The authors, in short, have produced a well-organized collection of revised articles which give a good and valuable insight into various tax reforms, their consequences, and current tax laws in China. They try to go behind the written rules and abstract the policy reasons that led to each rule change in order to enable the reader to understand China’s taxation system. This makes the book suitable for practitioners who seek an overview of China’s taxation system. It can also serve as a resource material for courses in international taxation to provide examples of how the national and cultural environment influences national tax laws. However, its suitability as a textbook for students is limited, because it lacks an explanation in detail of the taxation system and of the indispensable basics which are required for a full understanding of the Chinese system, as well as to be able to compare it with other national tax systems.

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NOTES

1. This article was published in *The Hong Kong Accountant*, September/October 1991, pp. 39–42.


4. This is a revised and updated version of the article, “Business Tax in China,” which was first published in *The Hong Kong Accountant*, September/October 1995, pp. 63–70.

5. The article “The Real Property Gains Tax in China — Issues and Implications for Foreign Investors” was published for the first time in *The Hong Kong Accountant*, March/April 1995, pp. 42–48. In the book, a revised and updated version is included.