

Measures for the Administration of Trading Tax Invoices of Shanghai Gold Exchange

(Amended)

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Chapter I General Provisions

Article 1 This *Measures for the Administration of Trading Tax Invoices of Shanghai Gold Exchange* (this *Measures*), formulated in accordance with the *Circular on Tax Policies for Gold* and the *Measures for the Administration of Value-Added Tax on Gold Trade* jointly promulgated by the Ministry of Finance and the State Administration of Taxation (SAT) and the rules on the administration of tax invoices promulgated by SAT, is designed to strengthen the administration of members' and corporate customers' trading tax invoices at the Shanghai Gold Exchange (the **Exchange** or **SGE**) and to regulate market operations.

Article 2 Trading tax invoices include settlement tax invoices and special value-added tax invoices (the **special VAT invoices**). Settlement tax invoices shall be issued by the Exchange to the trading parties of gold and platinum bullion according to the trade record; special VAT invoices, which may be used as proof of input VAT for tax deduction purposes, have three variants: special VAT invoices for gold and platinum, special VAT invoices for fee items, and special VAT invoices for silver. In particular, the first kind shall be issued on behalf of the Exchange by its competent tax authority, with "Shanghai Gold Exchange" being the seller and stamped with the Exchange's special seal for tax invoices.

Article 3 When trading in relevant SGE markets, members and corporate customers must observe this *Measures* and national tax laws and regulations, strengthen self-discipline, and actively safeguard the orderliness of the market.

Chapter II Settlement Tax Invoices

Article 4 The title and format of settlement tax invoices shall be set according to the requirements of competent tax authorities and printed under the supervision of the competent tax authority for the Exchange.

Article 5 Each settlement tax invoice shall be issued through computerized means and consist of three copies, namely, bookkeeping copy, invoice copy, and settlement copy, the last of which shall be printed with the SAT supervision seal.

Article 6 After each trade, the Exchange shall issue a settlement tax invoice to the buyer and to the seller (except for buyers and sellers who are individuals) based on data generated by the trading system, with the seller receiving the settlement copy and the buyer the invoice copy. These settlement tax invoices are either stamped or printed with the Exchange's special seal for settlement.

Article 7 After a trade, the selling member or corporate customer shall issue to the Exchange a general invoice according to the *Measures for the Administration of Value-Added Tax on Gold Trade* in exchange for the settlement tax invoice from the Exchange. Any member or corporate customer who does not do so within three months after its trade shall be deemed as having forfeited the settlement tax invoice for which the Exchange shall have no further obligation.

Article 8 On a settlement tax invoice, the code and name of the settling organization shall correspond to that of the member or corporate customer kept by the trading system; the trading direction shall be indicated as a “buy” or a “sale” according to the trade result; and the bullion traded, its weight, unit price, and actual settlement amount shall be itemized and printed according to the trade result.

Any settlement amount calculated from an excess weight between the product traded and the bullion actually deposited or withdrawn will be marked as a “buy,” and from any deficit weight, a “sale.” The Exchange shall aggregate such settlement amounts and issue separate settlement tax invoices for each trading direction on a monthly basis.

Article 9 Delivery of settlement tax invoice.

The Exchange shall deliver settlement tax invoices to members via express mail or other methods; and members shall assign a specific person to receive the invoices. Settlement tax invoices issued to a corporate customer shall be forwarded by its carrying member.

Article 10 Lost settlement tax invoice.

The Exchange will not issue replacement for any settlement tax invoice lost in transit from the Exchange to a member, but will instead provide a photocopy of the corresponding bookkeeping copy as proof of issuance.

The Exchange will also not issue replacement for any settlement tax invoice lost after being delivered to a member. Any economic loss arising from the loss shall be borne by the member or its corporate customer.

Chapter III Special VAT Invoices for Gold and Platinum

Article 11 The Exchange applies for and obtains special VAT invoices from competent tax authorities, who will determine the number of tax invoices to be issued based on the actual needs of the Exchange.

Article 12 The “good” indicated on a special VAT invoice must be a type of bullion delivered on or through the Exchange and conforming to tax policies.

Article 13 Invoicing requirements.

Special VAT invoice shall be issued, after physical delivery and at the actual transaction price, to selling organizations who are general VAT taxpayers (in this *Measures*, “physical delivery” means the withdrawal of bullion from a Certified Vault).

Invoice amount shall be determined by the “last-in, first-out” principle based on the time of load-out, time of trade execution, and the actual transaction price.

The prerequisites for issuing special VAT invoice for a trade are:

- (1) the buying organization has the general VAT taxpayer status;
- (2) trade and settlement have been completed;
- (3) the ingots and bars traded have been withdrawn from vault; and
- (4) the actual transaction price corresponding to the bullion withdrawn can be determined by the “last-in, first-out” principle.

Article 14 Invoicing procedures.

The Exchange shall computerize the issuance of special VAT invoices as required by competent tax authorities. The specific invoicing procedures are:

- (1) The relevant member or its corporate customer (an **organization**) registers and opens an account at the Exchange by providing photocopies of its Business License of Enterprise Legal Person, Organization Code Certificate, Tax Registration Certificate, and Certificate of General VAT Taxpayer (each stamped with its official seal);
- (2) The Exchange enters the organization’s identity information associated with its general VAT taxpayer status into the invoicing system of the VAT Anti-Forgery Tax Control System to confirm the information to appear on special VAT invoices;
- (3) Completion of trade, settlement, delivery, and withdrawal of bullion;
- (4) The gold trade invoicing program calculates load-out price and generates tax invoice data based on trade and load-out data according to the “last-in, first-out” principle;
- (5) The Exchange imports the tax invoice data into the invoicing system of the VAT Anti-Forgery Tax Control System to generate the official special VAT invoice;
- (6) The Exchange mails the special VAT invoice (deduction copy) directly to the organization via express mail or other methods.

Article 15 Invoicing requirements for leasing bullion.

For gold and platinum bullion acquired through leasing (or lending) trades, withdrawn from vault, and finally purchased and returned through the Exchange, the Exchange will issue special VAT invoices based on the corresponding load-out and purchase records.

Article 16 The Exchange shall provide the premises and safeguards for issuing special VAT invoices, and shall, in coordination with national tax agencies, oversee and administer the issuance of tax invoices to members.

Article 17 Invoicing cycle.

(1) Each invoicing cycle runs from the 1st day to the 25th day of each month (if the 25th day falls on a holiday, the end date shall be moved forward or backward according to the circumstances). Special VAT invoices for ingots or bars withdrawn on the 25th or later shall be issued in the next invoicing cycle;

(2) Any organization wishing to obtain in the same month the special VAT invoice for ingots or bars withdrawn on the 25th or later shall fax an application stamped with its official seal to the Exchange.

Article 18 Delivery, return, cancellation; lost special VAT invoices.

(1) Special VAT invoices shall be delivered by the Exchange to the organization via express mail or other means of delivery. If the organization intends to send someone to collect the special VAT invoice in person, that person must present his or her identification and a letter of introduction issued by the organization and stamped with its official seal;

(2) An organization that has lost its special VAT invoice within the verification period may apply to the Exchange in accordance with applicable rules for issuance of a Proof of Tax Reporting and Return for Lost Special VAT Invoice for tax return purpose;

(3) An organization shall be solely responsible for losses from its inability to make deductions with its input VAT due to its failure to timely verify the special VAT invoice;

(4) Where a special VAT invoice cannot be verified due to inaccurate invoicing information or garbled printed text, if it is returned within the invoicing month, the Exchange shall cancel it and issue a replacement; if it is returned after the invoicing month but before the end of the verification period, the organization shall present the *Information Form for Issuing Red-Letter Special VAT Invoices* issued by its tax authority to the Exchange, who shall issue a replacement after issuing a red-letter special VAT invoice.

Article 19 Special invoicing rules.

To prevent special VAT invoices from being obtained for illegal purposes under the pretense of trading gold or other bullion, the Exchange may classify a trading institution that has no bona fide needs for physical gold or other precious metals as a special institution. A special institution may conditionally perform physical delivery, and if special VAT invoice is needed for such activity, shall observe the following rules:

(1) It has been a going concern for over six consecutive months and can provide the tax declarations for the six most recent months;

(2) If it has performed physical deliveries in any invoicing cycle, the special VAT invoices for such deliveries will be issued all at once on the last trading day of that invoicing cycle;

(3) For such an institution, the Exchange shall set up a monitoring period of no shorter than 180 days from the date of the institution's first physical delivery. On account of the trading and physical delivery activities of the institution, the Exchange may, as a precondition for

issuing the special VAT invoice, require it to produce the purchase and sales contracts and bank records that can demonstrate the destination of its physical gold. If an institution is involved in irregular trading or physical delivery activities, the Exchange will place it under intensive monitoring; keep tax auditing agencies up-to-date on the institution's trading, delivery, and invoicing activities; and work closely with them in tax audits. If at the end of the monitoring period the institution is found to have bona fide production or operational needs for precious metals, the Exchange will issue it special VAT invoices as regular organizations.

In this article, the term "bona fide needs" means production and operation use gold or other precious metals as raw materials.

Chapter IV Special VAT Invoices for Fee Items

Article 20 The Exchange issues special VAT invoices for the Trading Fees and other fee items paid by members with the general VAT taxpayer status. Such fees are inclusive of tax, and will be broken down into taxable amount and tax payable at the prescribed tax rate:

Taxable amount = fee amount ÷ (1+ tax rate)

Tax payable = taxable amount × tax rate

Article 21 Invoicing cycle for special VAT invoices for fee items.

Special VAT invoices for fee items are issued twice each month. The first invoicing cycle runs from the 1st day to the 19th day and special VAT invoices for fees incurred during this cycle will be issued all at once on the 20th (if the 20th day falls on a holiday, the invoicing day shall be moved forward or backward according to the circumstances). Special VAT invoices for fees incurred between the 20th and the end of the current month shall be issued all at once on the last trading day of the month.

Chapter V Special VAT Invoices for Silver

Article 22 The Exchange does not issue settlement tax invoices for silver trades of members and corporate customers. If silver is physically delivered, the issuance of special VAT invoice shall comply with the following rules:

(1) The selling organization issues special VAT invoice (including its invoice copy and deduction copy) directly to the buying organization based on the physical delivery bill. The buying organization and the selling organization shall promptly exchange invoicing information after physical delivery;

(2) The price indicated on the special VAT invoice shall be the settlement price (inclusive of tax) on the trade date or on the date when the relevant delivery tender is matched. The weight shown on the invoice is the weight of the ingots and bars actually delivered;

(3) The invoicing cycle for special VAT invoices is from the 1st day to the 20th day of each month, with the 20th being the last invoicing day of the month (postponed accordingly if it is a holiday). Bullion delivered between the 21st and the last day of each month shall be deemed as being delivered in the next invoicing cycle and the special VAT invoice for which will be issued in the first seven trading days of that month;

(4) Any selling organization that has completed the physical delivery of silver within the current invoicing cycle shall deliver the special VAT invoice to the buying organization through express mail or by hand within seven trading days following physical delivery. If invoicing is deferred to the next cycle, the special VAT invoice shall be issued and delivered within the first seven trading days of that cycle. If the special VAT invoice is delivered after the above deadlines, a late fee, at 0.1% of the invoice amount per day, shall be charged and credited into the SGE Risk Management Fund;

(5) Upon physical delivery, the Exchange will freeze 20% of the delivery payment paid to the selling organization. After receiving the special VAT invoice from the selling organization, the buying organization shall, through a confirmation letter sent by fax, notify the Exchange to unfreeze delivery payment equaling 20% of the invoice amount. Any late fee or penalty becoming payable by the selling organization due to the buying organization's failure to promptly notify the Exchange shall be borne the buying organization;

(6) If after physical delivery the selling organization fails to deliver the special VAT invoice to the buying organization by the long-stop date, the selling organization shall be deemed to have committed a default and be fined at 20% of the invoice amount. The penalty shall be used to compensate the buying organization for its lost input VAT, with any surplus credited into the SGE Risk Management Fund (for the avoidance of doubt, the long-stop date is as follows: if physical delivery is completed in the current invoicing cycle, the selling organization shall deliver the special VAT invoice to the buying organization by the 7th trading day counting from the last invoicing day (exclusive) of the current month; if physical delivery is deemed to have been completed in the next invoicing cycle, the invoice should be delivered by the 7th trading day counting from the last invoicing day (exclusive) of the next month);

(7) For credit-based price asking trades of silver, the two trading parties shall issue tax invoices according to their agreement and the Exchange will not freeze the delivery payment.

Chapter VI Responsibilities and Obligations

Article 23 Members and corporate customers who engage in physical delivery in the gold market shall abide by this *Measures* and national tax laws and regulations.

Article 24 Members and corporate customers shall buy gold or other traded goods based on their operational needs, obtain and use special VAT invoices in accordance with the law, and shall not falsely obtain invoices under the pretense of trading gold or other traded goods.

Article 25 A member engaging in brokerage services shall have the following responsibilities obligations:

- (1) to strictly fulfill its obligations with regard to customer identification, be responsible for the authenticity, completeness, and legitimacy of its corporate customers' account opening documents and materials, and not open accounts with false information;
- (2) to investigate corporate customers' purpose of trading, bona fide needs for gold and other traded goods, and market reputation and integrity;
- (3) to strengthen corporate customers' awareness about the legal framework, integrity, and compliance; and
- (4) to accept the oversight and administration of the Exchange with regard to tax invoice matters relating to proprietary and brokerage activities, and cooperate with the Exchange and tax agencies in enforcement inspections.

Chapter VII Penalties for Violation

Article 26 If a member or corporate customer violates Article 23 of this *Measures*, the Exchange may suspend its privilege to make physical delivery or to issue tax invoices.

Article 27 If a member or corporate customer violates Article 24 of this *Measures* by falsely obtaining special VAT invoice for illegal purposes under the pretense of trading, the Exchange shall either revoke the membership with immediate effect or freeze the relevant trading account.

Article 28 If a member violates Article 25 of this *Measures* or provides false customer information to open trading account, and as a result of which one of its corporate customers is able to obtain special VAT invoice for illegal purposes under the pretense of trading, then the Exchange will impose the following penalties on the member depending on the seriousness of the circumstances: issuing a warning, suspending its privilege to open brokerage accounts, revoking its privilege to provide brokerage services, and revoking its membership.

Chapter VIII Ancillary Provisions

Article 29 In case of any inconsistency between this *Measures* and national policies and rules on tax or tax invoices, the latter shall prevail.

Article 30 This *Measures* is formulated by the Exchange and has been filed for record with the competent tax authority.

Article 31 This *Measures* shall take effect as of the date of its release.