

Unlocking a Mystery of China Compliance: *Fapiao*s

June 2024
Anti-Corruption

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Anyone who has spent time dealing with compliance issues in China has encountered *fapiao*s (发票). This advisory will explain (1) what a *fapiao* is, (2) the different types of *fapiao*s and receipts in China, (3) how *fapiao*s can be misused for fraud, embezzlement, and corruption, and (4) ways to counter these schemes to minimize compliance risk.

***Fapiao* 101**

So what is a *fapiao*? In essence, a *fapiao* is a paper receipt, recognized by Chinese tax authorities, that is provided by the recipient of a payment to show that the transaction actually occurred.

*Fapiao*s are normally generated for most business-to-business transactions as part of the internal payment process. But for business-to-consumer transactions (e.g., an employee stays at a hotel, an employee has a meal at a restaurant), *fapiao*s typically are not automatically generated, and a consumer must specifically request a *fapiao*.

An employee would normally obtain a *fapiao* for all business expenses, including meals, hotel room fees, air tickets, etc. and submit it to the company for reimbursement. The *fapiao* is then used by the company to legally claim a tax deduction for business expenses. If the company did not want to seek a tax deduction for a particular expense, it would not be necessary to obtain a *fapiao*. But nearly every company operating in China—multinationals and Chinese companies alike—requires those seeking reimbursement from the company (employees and third-party service providers alike) to obtain a *fapiao* for any business expense to submit it for reimbursement.

In addition to being proof of a tax-deductible transaction for the payor (i.e., the company reimbursing the business expense or paying for the expense), a *fapiao* is proof of the transaction for tax liability for the payee (i.e., the company receiving the money). If a recipient of a payment does not issue a *fapiao*, it is much harder for China's tax authorities to prove that the recipient actually received taxable income, thus potentially lowering the recipient's tax burden. For this reason, some businesses may resist issuing a *fapiao*. In some cases, the reason given for not issuing a *fapiao* may or may not be legitimate, such as the *fapiao* machine is broken, or the business has reached its monthly limit on the

fapiao amount it can issue.¹ With the implementation of electronic *fapiao*s (which reduces the costs of issuing *fapiao*s, such as costs saved from having to manage paper *fapiao*s), the implementation of value-added tax (“VAT”) *fapiao*s across the country (which incentivizes the payees to obtain *fapiao*s for tax benefits), and the tax authorities’ improved abilities of monitoring and detecting *fapiao* fraud, it is becoming less common for businesses to refuse issuing a *fapiao*.

Importantly, a *fapiao* can be issued only by a legally registered business entity in China assigned a tax identification number; an individual cannot issue a *fapiao* by himself or herself. Similarly, some mom-and-pop stores are not properly licensed to provide *fapiao*s. Both individuals and small stores can visit the local Tax Bureau to submit certain documents and have the Bureau issue a *fapiao* on their behalf.

When a government agency in China receives a fee for an official service, it will issue a type of official receipt to the payor titled “receipt of fees for administrative activities” (行政事业性收费票据) rather than a *fapiao*.

Different Types of *Fapiao*s

With the exception of small businesses in small cities, most businesses in China have cash registers and can issue a point-of-sale receipt or an itemized receipt (called “收据,” “小票,” or “水单”) that would look familiar to someone outside of China. This is not a *fapiao*. Similarly, when a credit or debit card is used in China (either an international credit card or a local UnionPay-linked credit card), the consumer usually receives a receipt. This is also not a *fapiao*.

As noted above, a consumer usually must request a *fapiao* for business-to-consumer transactions, whereas it is required for nearly all business-to-business transactions.

VAT *fapiao*s. Since 2016, VAT *fapiao*s are the default for most expenses that employees would normally reimburse, such as meals, travel, lodging, and purchases for goods and services. VAT *fapiao*s can be a *general* VAT *fapiao* (增值税普通发票), as opposed to a *special* VAT *fapiao* (增值税专用发票); the latter can be used by the recipient of the *fapiao* to deduct VAT.² *Fapiao*s can be paper or electronic (*e-fapiao*); both have the same legal effect. A sample general paper VAT is shown below.

¹ Chinese tax authorities usually impose three monthly caps on a merchant’s ability to issue *fapiao*s: (1) the total amount of the face values of all *fapiao*s the merchant can issue, (2) the total number of *fapiao*s the merchant can issue, and (3) the highest face value of an individual *fapiao* that the merchant can issue. The purpose of the restrictions is to prevent and control *fapiao* fraud. For example, an unscrupulous merchant who can issue an unlimited number of *fapiao*s with unlimited *fapiao* face values is more likely to sell *fapiao*s and inflate the *fapiao* value for illegal gain.

² Prior to 2016, two major types of *fapiao*s existed: the business tax *fapiao* (营业税发票) and the VAT *fapiao* (增值税发票). A merchant that paid business tax would issue a business tax *fapiao*, and a merchant that paid VAT would issue a VAT *fapiao*. As a simplified background, business tax is based on the total (continued...)

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When asking for a *fapiao* for a transaction, a consumer can ask the merchant to issue an “individual” or “company” *fapiao*. Both are legitimate, but if an employee plans to reimburse the expense from his/her company, the employee needs to ask for a company *fapiao*. An individual *fapiao* may list “individual” (“个人”) or the specific recipient’s name in English or Chinese, whereas a company *fapiao* will list the company’s Chinese name. Certain financial information (e.g., tax identification number, bank account number, phone number, etc.) is required for special VAT *fapiaos*.

As shown in the sample below, the *fapiao* will contain the date, a brief description in Chinese of the underlying expense (e.g., “meal fee,” “room fee,” “service fee,” “consulting fee,” or a list of the items purchased), the date when the *fapiao* was issued, the name of the establishment issuing the *fapiao*, and a *fapiao* code and a *fapiao* number, which can be used to verify the *fapiao*’s authenticity.

12-digit fapiao code
8-digit fapiao number
Fapiao issuance date

Name, tax identification number, address, phone number, and bank account of the company receiving the *fapiao*

Name, tax identification number, address, phone number, and bank account of the company issuing the *fapiao*

Description of the underlying transaction

Fapiao chop of the company issuing the *fapiao*

货物或应税劳务、服务名称	规格型号	单位	数量	单价	金额	税率	税额
*现代服务*翻译费		套	1	600.00	600.00	免税	***
合计					¥600.00		***
价税合计(大写)					陆佰圆整	(小写)¥600.00	

VAT *fapiaos* are also issued for business-to-business transactions (i.e., where payment would be made via bank transfer rather than cash). *Fapiaos* in business-to-business transactions often are not presented precisely at the time of payment. It may be issued prior to payment, or mailed or issued after payment, so the date on the *fapiao* may not necessarily match the date that the transaction occurred.

In the past, a legitimate *fapiao* had a red *fapiao* “chop” (or “seal”; 发票专用章) of the establishment stamped on the *fapiao*, as illustrated in the sample above. The red “chop”

turnover without considering a business’s operating costs and expenses and does not allow input tax deductions. In contrast, VAT is based on the added value (i.e., sales minus input costs) and allows the business to use input tax (i.e., VAT paid by business on its purchases of goods or services) to offset output tax (i.e., VAT collected by business on its sales of goods or services). In 2016, China implemented a nationwide VAT reform, and thereafter, VAT *fapiaos* became universal for most employee expenses.

includes the name of the establishment issuing the *fapiao* and its tax identification number (纳税人识别号). This has now changed with the implementation of e-*fapiao*s, which typically are digitally signed upon issuance, and therefore a *fapiao* chop is not required. However, due to uneven upgrades of *fapiao* systems and differing local policies across China, not all e-*fapiao*s are electronically signed, and even when they are, some may nonetheless continue to bear an electronically generated *fapiao* chop.

Digitized electronic *fapiao*s (全面数字化的电子发票, a.k.a., 全电发票 or 数电票). Starting in December 2021, China gradually rolled out the so-called “fully digitized electronic *fapiao*s” (“digitized e-*fapiao*s”) in select cities across China. Digitized e-*fapiao*s have the same legal effect as the traditional paper and electronic VAT *fapiao*s, and they look similar in terms of the *fapiao* formats. We anticipate that the digitized e-*fapiao*s will replace most, if not all, other *fapiao*s in the future. Below is a sample digitized e-*fapiao*.

The image shows a sample digitized e-fapiao form. It includes a QR code in the top left, a title '电子发票 (普通发票)', and a 20-digit invoice number '33120000013320022'. The issuance date is '2023年11月17日'. The form is divided into '购买方信息' (Buyer Information) and '销售方信息' (Seller Information) sections, both with redacted names and tax IDs. A table of items follows, with one row for '餐饮服务*餐费' (Catering service*meal fee) with a quantity of 1, a unit price of 160.38, a tax rate of 6%, and a tax amount of 9.62. The total amount is ¥160.38, and the total tax is ¥9.62. The invoice is issued by '开票人: 徐'.

As shown in the sample, digitized e-*fapiao*s are very similar to regular VAT *fapiao*s but contain less information. Most notably, (1) a single 20-digit *fapiao* number replaced the *fapiao* code and *fapiao* number, (2) only the company name and tax identification number are required (as opposed to additionally requiring the phone number and bank account number), and (3) the *fapiao* chop is no longer required, as all digitized e-*fapiao*s are digitally signed.

Despite the similarity in appearance, digitized e-*fapiao*s differ from traditional *fapiao*s in significant ways. Below we highlight the differences that could affect *fapiao* fraud prevention:

- To issue a traditional *fapiao*, either paper or electronic, the issuing establishment must first obtain a physical control device from the tax authorities that is installed on a local computer to gain access to the government’s *fapiao* issuing system. Digitized e-*fapiao*s do not require a physical device to issue *fapiao*s, and the

government created a national online platform which establishments can use to issue and manage digitized *e-fapiao*s at any time.³

- Traditional *fapiao*s have restrictions on the total number and total face value of *fapiao*s an establishment can issue within a month, as well as the largest face value a single *fapiao* can have. Establishments can now issue an unlimited number of digitized *e-fapiao*s with no cap on the *fapiao* face value, so long as the total face value of the digitized *e-fapiao*s does not exceed the monthly cap.
- As soon as a digitized *e-fapiao* is issued, the national online platform automatically sends a copy of the *fapiao* to the platform account of the company receiving the *fapiao*. Thus, the receiving establishment has real time visibility to the digitized *e-fapiao*s issued to it.
- The national online platform also provides a verification module that allows the receiving establishment to verify the authenticity of the digitized *e-fapiao*s it receives.

Taxis *fapiao*s are a special type of *fapiao*. In China, taxis in almost all major cities have a machine that prints a *fapiao* that shows the date, time, distance, and total cost of the trip. These *fapiao*s are printed in the taxi when the taxi stops the meter and do not include the name of the recipient. (Travel alert: some taxi drivers may refuse to use the meter and ask the customer to pay a fixed fee for the ride to get a higher fare than if the trip were a metered ride. This usually happens in smaller cities. In such a case, the customer often can receive some kind of *fapiao*—for example, fixed-value *fapiao*s, discussed below, or local transportation *fapiao*s—that is not printed from the *fapiao* machine. The authenticity of these *fapiao*s is not guaranteed.) Below is a sample taxi *fapiao*.⁴



³ Issuing paper *fapiao*s additionally requires using a specialized printer that is preset to print on blank paper *fapiao*s, which are obtained from local tax bureaus. In the *e-fapiao* era, a specialized printer is no longer required. The digitized *e-fapiao* era further gets removes the need for a physical control device, as digitized *e-fapiao*s are now issued and managed on the cloud.

⁴ A rider using Didi, the rough equivalent of Uber in China, receives a normal VAT *fapiao*.

Fixed-value *fapiao*s (定额发票) were previously commonly used in fast-food restaurants, toll booths, gas stations, some smaller restaurants, cabs in smaller cities, subways, busses, and other high-volume repeat-transaction establishments. Nowadays they are mostly reserved for small-value transactions, such as parking and subways. These are smaller square or rectangular pieces of paper that have pre-printed denominations on each one (e.g., RMB 1, RMB 5, RMB 10, RMB 50, RMB 100). Like VAT *fapiao*s, the name of the establishment and its tax identification number should be visible in the red “chop” stamped on the face of the *fapiao*. Below is an example.



Some establishments take care to provide fixed-fee *fapiao*s in the exact amount of the purchase—for a purchase of RMB 48, they would give you two 20s, a 5, and three 1s. Other establishments simply “round up”—for an expense of RMB 48, they might give you one *fapiao* of 50.

How *Fapiao*s Can Be Misused

Given how ubiquitous *fapiao*s are in China, there are various schemes for misusing *fapiao*s.

Inflated *fapiao*s. Some establishments will issue an authentic *fapiao* but for an amount greater than the actual expense. A portion of the difference will be kicked back to the establishment to cover the incremental tax caused by the difference, and/or to an individual at the establishment who issued the *fapiao*. For instance, an employee may have a business-related meal at a restaurant with a client, and the actual bill for the meal is RMB 400. The company employee discusses and agrees with the waiter (or restaurant owner) to create a *fapiao* for RMB 600. The company employee pays the restaurant the RMB 400, plus perhaps RMB 50 to the restaurant to cover the incremental tax. The employee seeks reimbursement for RMB 600 using the inflated *fapiao*, even though the meal cost only RMB 400. The remaining RMB 150 could be pocketed by the company employee, shared with the client, or used to fund a bribe.

***Fapiao*s purchased from legitimate businesses.** This may be the extreme version of an inflated *fapiao*: a *fapiao* issued by a legitimate business that does not reflect an actual underlying transaction. In a common scenario, a company employee goes to a restaurant willing to collude with him, places an order to obtain an itemized receipt, pays for the order to leave a payment record, obtains a POS (point-of-sale) slip, has the restaurant issue a *fapiao* for the order, and then cancels the order and obtains a refund. The employee pays the restaurant a small fee, which is usually slightly more than the tax

the restaurant needs to pay for issuing the *fapiao*, and then submits the supporting documents to the company to reimburse the non-existent expense.

We have also seen inflated *fapiaos* in travel expenses. For example, an employee is assigned to a different city to provide on-site support to a customer for a month. Instead of staying in a hotel, the employee rents an apartment. Similar to the scenario discussed above involving a restaurant, the employee obtains a bill and *fapiao* by a colluding hotel for a room rental that did not actually happen, the hotel receives a small fee from the employee, and the employee seeks reimbursement of a fabricated hotel expense that is much larger than the actual cost of the apartment rent. The employee then pockets the difference for personal enrichment or for paying bribes.

Fapiaos purchased from shell companies. In recent years, we have seen a significant increase of authentic *fapiaos* issued by shell companies, i.e., companies that have no real business purpose and engage solely in selling *fapiaos* for a fee. In a simplified scheme, unscrupulous employees want authentic *fapiaos* that can pass their employer's *fapiao* verification process, and to meet this demand, fraudsters register companies using fake information (e.g., a fake ID and a fake business address) to create a company that can issue authentic *fapiaos*. The employees can then buy *fapiaos* from these shell companies and submit them for reimbursement, often to fund otherwise impermissible expenses.

Because the shell companies do not engage in actual business, they have very little or no input VAT but incur significant output VAT. After a period of time, the shell companies' irregular business activities may be flagged by the Chinese government's tax system's controls and trigger an investigation by the tax authorities. These investigations often result in the tax authorities contacting the company that received the *fapiaos* (i.e., the unscrupulous employee's employer), as the tax authorities cannot reach the shell companies due to the fake contact information used to set up the shell companies. The company receiving the *fapiaos* then faces potential tax liability and other possible penalties (e.g., a fine) for entering the *fapiaos* into its accounting books.

“Substitute” *fapiaos*. Substitute *fapiaos* are authentic *fapiaos*, but the underlying transactions are different from those described on the *fapiaos*. Substitute *fapiaos* are sometimes submitted because company employees cannot obtain *fapiaos* for legitimate transactions, such as a transaction with a street food cart which does not issue *fapiaos*, or the merchant reached its *fapiao* issuance cap for that month and cannot issue new *fapiaos* until the following month.

At other times, however, and more often the case, company employees submit substitute *fapiaos* to seek reimbursement for expenses that are not reimbursable under company policies. For example, an employee buys an expensive scarf and gifts the scarf to a customer, which violates company policy. To obtain reimbursement for the cost of the scarf, the employee claims in the expense report that he had dinner with a customer and submits a meal *fapiao* that he obtained from dinner with his family. In another example, an employee entertained a customer at a nightclub, which is prohibited by the company. To obtain reimbursement, the employee submits a substitute *fapiao* issued by a restaurant for a meal expense.

Split fapiao. In this scenario, multiple *fapiao*s are issued for a single transaction, usually when the transaction amount exceeds the maximum face value of the *fapiao* (e.g., RMB 1,000) that a small merchant can issue. Using multiple *fapiao*s for a single transaction does not necessarily indicate any fraudulent intent or practice. For example, a merchant with a *fapiao* value limit of RMB 1000 could issue three *fapiao*s for an RMB 2,100 transaction: two RMB 999 *fapiao*s and an RMB 102 *fapiao*.

But, unscrupulous employees may purposely ask merchants to issue multiple *fapiao*s for a single transaction, often to bring the *fapiao* value down below the transaction value limit or controls threshold set by the company or simply to make the transaction value appear smaller. A split *fapiao* may present multiple options for an unscrupulous employee seeking to avoid detection of an expense: (1) the employee may submit each *fapiao* as a separate transaction, (2) the employee may distribute the *fapiao*s among several employees and each would seek reimbursement for a *fapiao*, and (3) the employee may seek reimbursement for only part of the expense and assume the remaining expense as a personal expenditure or submit a substitute *fapiao* to cover.

Fake fapiao. Not many years ago, anyone who spoke or read Chinese and lived in China knew the legions of advertisements for fake *fapiao*s (even though the ads would not acknowledge that the *fapiao*s were fake). Ads could be found on business cards stuck in elevators and subway cars. *Fapiao* offers were stenciled onto walls with spray paint. Owners of Chinese mobile phones routinely received spam SMS/text messages advertising fake *fapiao*s. Fake *fapiao*s look real but cannot be verified through government verification portals, although some advertisements for *fapiao*s assert that they can in fact be verified.

Fake *fapiao*s have become rarer in recent years, mostly because recipients can now quickly verify a *fapiao*'s authenticity on government web portals. Given the risks of fraud stemming from reimbursing fake *fapiao*s and the legal liabilities of entering fake *fapiao*s into company accounts, many multinational companies check the authenticity of each *fapiao* they received, which in turn deters employees from using fake *fapiao*s. Nonetheless, we still occasionally see fake *fapiao*s.

Duplicated fapiao. Unlike paper *fapiao*s, where you receive only one copy and can submit it only once, e-*fapiao*s can be submitted repeatedly, so long as the company does not catch it, thus creating duplicated reimbursements of the same expense and inaccurate accounting books. Some companies require submitting hardcopy supporting documents, including printed e-*fapiao*s for reimbursement requests. In such a case, resubmitting previously submitted *fapiao*s can be harder to detect if the company does not implement a mechanism to detect duplicate *fapiao*s, such as an optical character recognition (OCR) function to convert the *fapiao* into machine-readable text and compare it with previously submitted *fapiao*s.

Digitally altered fapiao. E-*fapiao*s are susceptible to alterations using Photoshop or other image/PDF editing tools. For example, an employee alters the *fapiao* number of a previously submitted *fapiao* and resubmits it as a new expense. Even if the company's financial controls can detect duplicate *fapiao*s through comparing the key *fapiao* information (i.e., *fapiao* number, *fapiao* code, *fapiao* amount, *fapiao* issuance date, etc.),

the control system may treat this *fapiao* as a new one, as the altered *fapiao* number will not match any *fapiao* numbers the company has recorded. In another example, the employee alters the *fapiao*'s description of the purchased item from something impermissible for reimbursement to a permissible one and submits it for reimbursement.

Real *fapiaos*. As the name suggests, the transaction occurs exactly as the employee and *fapiao* describe.

The following table attempts to outline these different schemes.

	Actual transaction occurred?	Transaction occurred as employee described?	Transaction value the same as employee described?	<i>Fapiao</i> can be verified as authentic?
Inflated <i>fapiao</i>	yes	no	no	yes
<i>Fapiao</i> purchased from legitimate business	no	no	no	yes
<i>Fapiao</i> purchased from shell company	no	no	no	yes
Substitute <i>fapiao</i>	yes	no	yes	yes
Split <i>fapiao</i>	yes	no	no	yes
Fake <i>fapiao</i>	no	no	no	no
Duplicated <i>fapiao</i>	no	no	no	yes
Digitally altered <i>fapiao</i>	maybe	no	maybe	maybe
Real <i>fapiao</i>	yes	yes	yes	yes

WeChat Pay and Alipay

Mobile payments are increasingly ubiquitous in China, particularly WeChat Pay and Alipay. Payments made using WeChat Pay and Alipay do not affect whether or how a *fapiao* is issued.

These app-based payments are similar to using a bank card/credit card and often preferable to cash, but they can still present the following fraud risks:

- the payment records are stored on employees' phones; if the phone is a personally owned device, an employer may not be able to access the records
- employees can delete payment records on WeChat Pay and Alipay (and thus vulnerable to tampering)

If a company permits employees to use WeChat Pay or Alipay for reimbursable expenses, a good practice would be to also require employees to submit the payment records generated by WeChat Pay or Alipay so that the company has additional data points to use to detect expense fraud.

Risk Prevention

We suggest below potential ways to mitigate *fapiao*-related compliance risk.

Verify *fapiaos*. VAT *fapiaos*, including the latest digitized e-*fapiaos*, can be verified on a national verification portal at <https://inv-veri.chinatax.gov.cn/>. The portal can verify VAT *fapiaos* issued in the previous five years and generally requires the following information found on the *fapiao*: (1) the *fapiao* code (发票代码); (2) the *fapiao* number (发票号码); (3) the *fapiao*'s issuance date, and (4) the before-tax *fapiao* amount. The system typically shows one of four results:

- If the *fapiao* is authentic, the portal will display an electronic copy of the *fapiao*, which should be identical to the *fapiao* that is being verified, except the electronic copy will not include the *fapiao* chop.
- If the *fapiao* is fake, the portal will note that there is no such *fapiao* (“查无此票”).
- If the *fapiao* code or *fapiao* number of an otherwise authentic *fapiao* was altered, the portal will note that the *fapiao* is “inconsistent” (“不一致”) with its records.
- If the description of the items purchased on an otherwise authentic *fapiao* was altered, the verification portal will show the original description, which the company can use to visually compare to identify a falsification.

For non-VAT *fapiaos*, the local tax bureau of every major jurisdiction in China has a website where a user can go online and verify the authenticity of the *fapiao*. However, these websites provide only limited information about the *fapiaos* being verified. In general, the verification result shows only the name of the establishment that purchased the *fapiao* from the tax bureau, without additional information about the underlying transaction.

*Fapiao*s can also be verified via a phone hotline and in-person at the relevant tax bureau. Note that the data on the *fapiao*s, all of the websites, and the tax bureau hotline are available only in Chinese.

Many companies verify every *fapiao* they receive before reimbursing employees. Manually testing all *fapiao*s can be prohibitively time-consuming. Fortunately, with the implementation of e-*fapiao*s and the use of OCR technology, we are seeing more and more companies adopting automated workflows to automatically verify *fapiao*s and detect problematic ones, such as duplicated *fapiao*s.

We caution that verifying every *fapiao* does not prevent more sophisticated *fapiao* fraud, such as purchased *fapiao*s, split *fapiao*s, and substitute *fapiao*s. Usually, some level of forensic review techniques is required to identify these types of *fapiao* fraud, such as conducting due diligence on the vendor and calling or making site visits to the vendors to confirm the legitimacy of expenses. Many of our clients conduct post-payment expense reviews and sample a certain percentage of expenses each month or each quarter to look for *fapiao* fraud that is unlikely to be caught by basic *fapiao* verification. Some clients look at a set number of expenses across all employees or vendors, some at a percentage of all expenses, and some at a certain frequency (e.g., all employees will have at least one expense reviewed per quarter, all vendors will have at least one transaction checked per year). Many also use data analytics in the sampling process. In our experience, employees who know that their expense reports may be checked will be somewhat deterred from engaging in *fapiao* fraud.

Require point-of-sale receipts and/or credit card slips. Some of our clients require the point-of-sale receipt and/or the credit card payment slip to be submitted in addition to the *fapiao* where possible. If the date, time, amount, vendor name, or other particulars of the three forms of documents are inconsistent, it could indicate potential misuse of a *fapiao*. We regard this as a good practice for reducing expense fraud.

We also note that WeChat Pay and Alipay have become so popular in China that most business-to-consumer transactions are paid through either platform. Companies allowing employees to pay for business expenses via WeChat Pay or Alipay are encouraged to require employees to submit the electronic payment record generated by WeChat Pay or Alipay along with the *fapiao*. These records contain transaction information, such as the vendor name, the amount, and the payment time, that can be helpful in identifying red flags.

Require third parties to submit individual *fapiao*s for their own expenses. Third parties (e.g., conference organizers, travel agencies, consultants) engaged by a company sometimes need to incur expenses in connection with the services they provided. Third parties usually submit a single, combined *fapiao* that includes these expenses in addition to whatever service fee the third party charges for their time or effort. From a compliance perspective, it would be reasonable to require that the third party submit supporting *fapiao*s, as well as the point-of-sale receipts, for each separate expense that the third party incurred.

Train employees. Some companies provide basic training on spotting irregularities in *fapiao*s to their finance personnel who review and process expenses. Others train external-facing employees on how to handle potentially risky situations, such as where the vendor says that it has run out of *fapiao*s for that month, or the employee is presented with what may be a fake *fapiao*. Companies usually do not want to educate their employees on how to abuse the expense reimbursement system, but training employees on company expectations can prevent situations where otherwise well-meaning employees cannot obtain a real *fapiao* for a legitimate business-related transaction and therefore use a substitute *fapiao* from a personal expense to avoid having to eat the cost of the business expense.

Require a more detailed statement of services. As noted earlier, the descriptions of goods or services on business-to-consumer *fapiao*s usually are very short (e.g., meal fee, room fee, service fee, consulting fee). For business-to-business transactions, however, most companies require a contract or additional statement of services to pay services fees, consulting fees, agent fees, and the like. This is particularly useful when the payee is an individual.

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An earlier version of this article appeared on the FCPA Blog in 2015.

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