



China Tax Newsletter

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1. Tax and Fee Preferences for Fight against Poverty

In order to provide support for winning the overall fight against poverty, 110 preferential tax policies on promoting the fight against poverty are implemented from six aspects, including supporting infrastructure construction at impoverished regions, fostering the development of agriculture-related industries, vitalizing entrepreneurship and employment at impoverished regions, promoting the development of inclusive financial services, accelerating economic development at remote and impoverished regions, and encouraging private and public donations for the sake of poverty relief. The main content is as follows:

- ① Pre-enterprise-income-tax deduction for donations for public welfare donated by enterprises through nonprofit social organizations or government departments.
- ② Pre-individual-income-tax deduction for donations for public welfare donated by individuals through social organizations or state organs.
- ③ Import value-added tax (“VAT”) exemption for donations for charity purposes donated by donors from outside China.
- ④ Reduction or exemption of six types of local taxes and two types of local fees for small-scale taxpayers.
- ⑤ VAT exemption for small-scale taxpayers with revenue within the specified limit.
- ⑥ Enterprise income tax reduction or exemption for small low-profit businesses.
- ⑦ Three-year exemption and three-year 50% reduction of enterprise income tax for public infrastructure projects supported by the State.
- ⑧ Enterprise income tax preferences for encouraged industries in West China.
- ⑨ VAT exemption for interests from small loans to small and micro businesses and individual businesses granted by financial institutions.
- ⑩ Deduction of interest income from small loans to rural households granted by financial institutions for the computation of enterprise income tax.
- ⑪ Option of simplified tax computation method of VAT available for financial institutions such as Chinese Rural Credit Cooperatives.

2. Inclusion of Items of the Tourism Industry in the Enterprise Income Tax Preference Catalog for Hengqin New Area

From January 1, 2019 to December 31, 2020, items of tourism industry are included in the enterprise income tax preference catalog for Hengqin New Area. For enterprises registered in Hengqin New Area in the encouraged industries which are



entitled to preferential enterprise income tax at a reduced rate of 15%, they shall refer to the Enterprise Income Tax Preference Catalog for Hengqin New Area (2019).

3. Promotion of Pilot Program of General Taxpayer Qualification in Comprehensive Bonded Zones

In order to promote high level opening-up and high quality development of comprehensive bonded zones and support enterprises in the zones to develop domestic and international markets, the State Taxation Administration, the Ministry of Finance and the General Administration of Customs have decided to promote the pilot program of general value-added tax ("VAT") payer qualification (hereinafter referred to as "**pilot program of general taxpayer qualification**") in comprehensive bonded zones and jointly formulated the Announcement on Promoting the Pilot Program of General Taxpayer Qualification in Comprehensive Bonded Zones (hereinafter referred to as "**Announcement**"). The main content is as follows:

- ① The general taxpayer qualification is granted to enterprises under the pilot program in special Customs supervision zones. For domestic sales of enterprises under the pilot program (including goods sold to other enterprises under the pilot program), special VAT invoices can be issued in accordance with relevant laws and regulations. In addition, the enterprises under the pilot program shall declare and pay VAT and consumption tax in accordance with laws and regulations.
- ② For goods purchased in areas outside special Customs supervision zones (hereinafter referred to as "**areas outside the zones**"), the enterprises under the pilot program may ask for special VAT invoices and keep them as the VAT credit vouchers or vouchers of export rebate.
- ③ Customs bond policies shall continue applying to imported goods of enterprises under the pilot program; where bonded goods are included in the domestic sales or unprocessed bonded goods are directly sold to areas outside the zones, an enterprise under the pilot program shall declare and pay import duty, VAT and consumption tax of the bonded goods to the Customs based on the status of the bonded goods at the time of entry into the special Customs supervision zones, and pay interest on deferred tax payment retrospectively pursuant to the provisions. Where an enterprise under the pilot program purchases goods from enterprises not under the program in the pilot zones, the tax policies on import of goods shall apply.
- ④ Where an enterprise under the pilot program exports goods, it may apply for export rebate after the goods actually leave the territory of Mainland China; where an enterprise under the pilot program sells goods other than unprocessed bonded goods to enterprises not under the program in the pilot zones, the sales activities shall be deemed as export and the enterprise may apply for the export tax rebate.
- ⑤ When importing self-use equipment (including machinery equipment, infrastructure materials and office supplies), an enterprise under the pilot program shall temporarily be exempted from import duty, import VAT and



consumption tax (hereinafter referred to as the "import duties"). The aforesaid temporarily-exempted import duties shall be apportioned evenly over each year according to the Customs regulatory period for such imported equipment for own use, and the temporarily-exempted import duties for a year shall be divided at the ratio of domestic sales to overseas sales at the end of the year. The portion under the overseas sales ratio shall be subject to tax policies for the special Customs supervision zone at the location of the enterprise under the pilot program. For the portion under the domestic sales ratio, tax shall be paid retrospectively according to the tax policies for areas outside the zones.

4. Canceling a Batch of Tax Certification Items, Relevant Regulations and Regulatory Documents

To implement the deployment of the CPC Central Committee and the State Council on reducing administrative certification for the convenience of the people, further optimize the taxation law enforcement and improve the tax climate, the State Taxation Administration has decided to cancel a batch of tax certification items together with regulations as well as regulatory documents related with the tax certification in this batch and as stipulated in the Decision of the State Taxation Administration on Canceling a Batch of Tax Certification Items (Decree of the State Taxation Administration [2019] No. 46). The main content is as follows:

- ① Cancelling 25 tax certification items. In terms of tax-related domains, there are 3 invoice certification items, 3 tax registration items and 19 tax preference related certification items. After the cancellation, the tax certification of 3 items are replaced by afterwards inspection; that of 6 items can be realized by information sharing among government departments or internal inspection; that of 15 items are changed to keeping of materials such as statutory certificates by administrative counterparts themselves for future inspection; for the remaining one item, filing or inspection is no longer needed based on actual levying and collection practice.
- ② Amending the Implementation Regulations for the Administrative Measures of the People's Republic of China on Invoices, the Administrative Measures on Tax Vouchers and the Administrative Measures on Tax Registration.
- ③ Repealing the Administrative Measures of the People's Republic of China on Withholding Resource Tax (Issued in Guo Shui Fa [1998] No. 49 and amended by the Decree of the State Taxation Administration [2018] No. 44) and the Announcement on Issues Relating to the Stolen and Lost Special VAT Invoices (Announcement of the State Taxation Administration [2016] No. 50).

5. Reform on Electronic Medical Bills and Invoices

To deepen the reform of "Streamlining Administration, Delegating Power, Boosting Regulatory Innovations, and Upgrading Services", guarantee the effective implementation of the special additional deduction for critical illness insurance for individual income tax and prevent falsified medical bills and invoices, it is decided that the reform of the administration of electronic bills and invoices for medical billing shall be fully promoted based on the Notice on Fully Promoting the Reform of



the Administration of Electronic Financial Bills (Cai Zong [2018] No. 62) and the Notice of the Ministry of Finance on Unifying the Styles of Electronic and Printed Financial Bills and Invoices Nationwide (Cai Zong [2018] No. 72). The main content is as follows:

- ① Unifying the styles of medical bills and invoices nationwide: Adopting the nationwide unified style of medical bills and invoices as of the date of the issuance of this notice.
- ② Local finance departments shall take actions to guarantee the implementation of the reform of the administration of electronic bills and invoices for medical billing; interconnect local billing systems with those of the Ministry of Finance so as to achieve one-stop query, authenticity check and reimbursement and recording of electronic bills and invoices nationwide.
- ③ Where an entity satisfies conditions as stipulated in Article 8 and Article 9 of the Administrative Measures of Accounting Records, it may make accounting treatments based on digital files of electronic medical bills and invoices, keep and file the bills and invoices in accordance with the requirements on management of digital files. Otherwise, the entity shall make the accounting treatment based on the printed files of electronic medical bills and invoices and keep and file both the digital and the printed files and establish the searching relationship between the printed files and the digital files.

6. Specifications for the Standards of Self-built and Third-party Electronic Invoice Service Platforms

The State Taxation Administration formulated the Specifications for the Standards of Self-built and Third-party Electronic Invoice Service Platforms. In this document, it clarified requirements on business functions, services, technology, security, operation and maintenance, and assessments on classified protection of information security of electronic invoice service platforms. It also stipulated specifications on 54 data exchange items of electronic invoice service platforms. The document was issued in accordance with the regulations on administration of tax industry standards and came into effect since June 30, 2019.

7. Repealing the Administrative Measures on Levying and Collection of Vehicle Purchase Tax

The Vehicle Purchase Tax Law of the People's Republic of China was passed by the 7th Session of the Standing Committee of the 13th National People's Congress on December 29, 2018 and came into effect from July 1, 2019.

The Administrative Measures on Levying and Collection of Vehicle Purchase Tax (issued in Decree of the State Taxation Administration [2014] No. 33, modified by Decree of the State Taxation Administration [2015] No. 38 and Decree of the State Taxation Administration [2018] No. 44, hereinafter referred to as “**Administrative Measures on Levying and Collection**”) released by the State Taxation Administration on December 2, 2014 no longer meets new requirements on the administration of vehicle purchase tax. In order to implement the Vehicle Purchase



Tax Law, the State Taxation Administration has decided to repeal the Administrative Measures on Levying and Collection.



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