



China Tax Newsletter

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1. Promulgation of the Administrative Measures on Entitlement of Non-resident Taxpayers to Tax Treaty Benefits

In order to deepen the reform of "Streamlining Administration, Delegating Power and Boosting Regulatory Innovations, and Upgrading Services" and facilitate non-resident taxpayers to enjoy treaty treatments, the State Taxation Administration has released the Announcement on Promulgation of the Administrative Measures on Entitlement of Non-resident Taxpayers to Tax Treaty Benefits (Announcement of the State Taxation Administration [2019] No.35), with effect from January 1, 2020.

This policy changed the procedure of entitlement of non-resident taxpayers to tax treaty benefits from "Filing" to "Retention of materials for future inspection". Non-resident taxpayers claiming tax treaty benefits shall adopt the method of "Making independent judgment and declaration and retaining the relevant materials for future inspection". Where a non-resident taxpayer deems that it satisfies the criteria for entitlement to tax treaty benefits, it may, at the time of filing tax return or making withholding declaration through a withholding agent, enjoy tax treaty benefits, and simultaneously compile and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and be subject to follow-up administration by the tax authorities.

2. Additional Credit Policy of Value-Added Tax for Livelihood Services Clarified

In order to further clarify the additional credit policy of value-added tax (VAT) for livelihood services, the State Taxation Administration released the Announcement on Clarifying Additional Credit Policy of VAT for Livelihood Services (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No. 87). The main content is as follows:

- ① During the period from October 1, 2019 to December 31, 2021, the taxpayers engaged in the livelihood services are allowed to add 15% over the originally creditable input VAT of the current period for offsetting against the tax payable (hereinafter referred to as the "policy of 15% additional credit").
- ② A taxpayer engaged in livelihood services refers to any taxpayer whose sales from providing livelihood services account for more than 50% of its total sales. Where the sales amount of a taxpayer established before September 30, 2019 during the period from October 2018 to September 2019 (if the business period is less than 12 months, the sales amount in the actual business period shall apply) satisfies the aforesaid criteria, the policy of 15% additional credit shall apply with effect from October 1, 2019. For the taxpayers established after October 1, 2019, if their sales amount in three months from the date of establishment meets the prescribed conditions, the policy of 15% additional credit shall apply from the date when they are registered as general VAT taxpayers.
- ③ Taxpayers engaged in livelihood services shall accrue the additionally creditable amount for the current period based on 15% of the creditable input VAT in the



current period. Additional credit shall not be accrued for the input VAT which cannot be credited against the output VAT pursuant to the prevailing provisions; where the input VAT for which the 15% additional credit has been accrued is transferred out as required, the amount of additional credit shall be decreased correspondingly in the period in which the input VAT is transferred out.

3. Announcement of the State Taxation Administration on Issues Such as Administration of VAT Invoices Released

In order to further optimize the business environment, the State Taxation Administration released the Announcement on Issues Such as Administration of VAT Invoices (Announcement of the State Taxation Administration [2019] No. 33). The main content is as follows:

① Taxpayers eligible for the 15% additional credit policy shall submit materials

Taxpayers in the livelihood services sector as stipulated in the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying Additional Credit Policy of VAT for Livelihood Services (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No. 87) shall submit a Statement on the Eligibility for the 15% Additional Credit Policy when it declares the eligibility for such policy for the first time of the year.

② Stipulation on method of declaration of VAT credits or export rebates by general VAT taxpayers after obtaining the special payment certificate of Customs import VAT (hereinafter referred to as the "Customs payment certificate")

Where general VAT taxpayers obtain the Customs payment certificate indicating the information of only one tax paying entity, they shall log on the VAT invoice selection and confirmation platform of their own provinces (autonomous regions or municipalities directly under the Central Government) (hereinafter referred to as the "selection and confirmation platform") to access and select the information of their Customs payment certificates for declaration of tax credits or export rebates. Where the Customs payment certificates in the search results are inconsistent with the actual certificates or there is no search result, taxpayers shall upload the Customs payment certificates to the platform. Where the Customs payment certificates in the system are consistent with the actual certificates after the comparison and verification in the system, taxpayers shall log on the selection and confirmation platform and select the Customs payment certificate for declaration of tax credits or export rebates.

Where general VAT taxpayers obtain the Customs payment certificate indicating the information of two tax paying entities, they shall upload the Customs payment certificates. Where the Customs payment certificates in the system are consistent with the actual certificates after the comparison and verification in the system, taxpayers shall log on the selection and confirmation platform and select the Customs payment certificate for declaration of tax credits or export rebates.

③ Handling of Customs payment certificate with abnormal results of comparison and verification



For Customs payment certificates for which results of comparison and verification are inconsistent or that some copies are missing, taxpayers shall bring the Customs payment certificate to the competent tax authority and apply for data modification or check; for Customs payment certificates for which results of comparison and verification are duplicate certificate numbers, taxpayers may make application to the competent tax authority for verification; for Customs payment certificates for which results of comparison and verification are suspended, taxpayers can continue with the comparison and verification and do not need to make application to the competent tax authority for verification.

④ Notices on VAT invoice issuance of small-scale taxpayers by themselves

All small-scale taxpayers (except for other individuals) may opt to issue VAT invoices by themselves in the VAT invoice management system. Once small-scale taxpayers opt to issue VAT invoices by themselves, tax authorities would no longer issue invoices on the taxpayers' behalf.

4. Shenzhen Tax Service, State Taxation Administration Clarified Tax Levying and Administration Issues Relating to VAT Exemption Policies for Small-scale Taxpayers

In order to implement the Notice on Implementation of Inclusive Tax Relief Policy for Micro and Small Enterprises (Cai Shui [2019] No. 13) and Announcement of the State Taxation Administration on Tax Levying and Administration Issues Relating to VAT Exemption Policies for Small-scale Taxpayers (Announcement of State Taxation Administration [2019] No. 4), the Shenzhen Tax Service, State Taxation Administration released the Notice on Clarifying Tax Levying and Administration Issues Relating to VAT Exemption Policies for Small-scale Taxpayers. The main content is as follows:

- ① The VAT payment period of small-scale taxpayers in Shenzhen is one quarter. For small-scale taxpayers (including individual businesses and individuals with temporary tax registration, the same below) engaged in VAT taxable sales activities and taking one quarter as the tax payment period, if the total quarterly sales amount does not exceed RMB0.3 million (including the number, the same below), the sales revenue is exempt from VAT; if the aggregate quarterly sales amount exceeds RMB0.3 million, but the balance after deducting the sales amount incurred in the current period for sale of immovables does not exceed RMB0.3 million, the sales amount for sales of goods, processing, repairing and replacement labor services, services and intangible assets shall be exempted from VAT.
- ② Where the VAT difference taxation policy is applicable to a small-scale taxpayer, if the total differential quarterly sales revenue does not exceed RMB0.3 million, it shall be exempted from VAT.
- ③ Where a small-scale taxpayer subject to quarterly declaration has not operated for a full quarter, it shall compute its sales amount eligible for VAT exemption for the current period based on the months of its actual operation.



- ④ For other individuals as referred to in Article 9 of the Implementation Rules for the Provisional Regulations of the People's Republic of China on Value-added Tax, where they rent immovables out and collect rent (including advance collections) in one lump sum, the rental income obtained may be apportioned evenly over the corresponding lease period; where the apportioned monthly rental income does not exceed RMB0.1 million (including this number), it may be exempted from VAT.
- ⑤ A general VAT taxpayer whose cumulative sales amount for four consecutive quarters (for quarterly tax payment) preceding the date of re-registration as small-scale taxpayer does not exceed RMB5 million may opt to re-register as small-scale taxpayer before December 31, 2019.
- ⑥ For a small-scale taxpayer who should make prepayment of VAT pursuant to the prevailing provisions, if the quarterly sales amount achieved at the place of prepayment does not exceed RMB0.3 million, the taxpayer is not required to make prepayment for the current period. Where the taxpayer has made prepayment prior to promulgation of this Announcement, it may apply for refund with the competent tax authority at the place of prepayment.

5. Notice of the Shenzhen Tax Service, State Taxation Administration on Disabling the Network Invoice Platform

In order to enhance and regulate ordinary invoice administration, the Shenzhen Tax Service, State Taxation Administration released the Notice on Disabling the Network Invoice Platform (Notice of Shenzhen Tax Service, State Taxation Administration [2019] No.22). The main content is as follows:

- ① From January 1, 2020, the network invoice platform of the Shenzhen Tax Service, State Taxation Administration will be disabled.
- ② Taxpayers who use the platform to issue general printed invoices may make application to the competent tax authority to get ordinary VAT invoices (including ordinary VAT invoices (folded), ordinary VAT invoices (rolled), electronic ordinary VAT invoices and ordinary VAT invoices with the entity name printed) and issue invoices through the new system of VAT invoice administration.
- ③ From January 1, 2020, all tax authorities in Shenzhen will no longer issue general printed invoices to taxpayers. For remaining blank invoices, they shall be withdrawn before March 31, 2020.

6. Announcement on Tax Policies for Civil Aircraft Engines, New Regional Aircrafts and Large Passenger Aircrafts

In order to clarify tax preferential policies for civil aircraft engines (including engines for large civil passenger aircrafts and medium and high-power civil turboprop engines), new regional aircrafts and large passenger aircrafts, the Ministry of Finance and the State Taxation Administration released the Announcement on Tax Policies for Civil Aircraft Engines, New Regional Aircrafts and Large Passenger Aircrafts (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No. 88). The main content is as follows:



- ① From January 1, 2018 to December 31, 2023, the period-end uncredited VAT of taxpayers generated from research and development projects for engines for large civil passenger aircrafts and medium and high-power civil turboprop engines shall be refunded; and the buildings and land used by the aforesaid taxpayers and their wholly-owned subsidiaries for scientific research, production and office for their engagement in the research and development projects for engines for large civil passenger aircrafts and medium and high-power civil turboprop engines shall be exempted from property tax and urban land use tax.
- ② From January 1, 2019 to December 31, 2020, taxpayers that manufacture or sell new regional aircrafts shall be subject to VAT at a reduced rate of 5%, and their period-end uncredited VAT generated for the manufacturing or sales of new regional aircrafts shall be refunded.
- ③ From January 1, 2019 to December 31, 2020, the period-end uncredited VAT of taxpayers generated from their research and development projects of large passenger aircrafts shall be refunded; and the buildings and land used by the aforesaid taxpayers and their wholly-owned subsidiaries for scientific research, production and office shall be exempted from property tax and urban land use tax.



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