



答税

# China Tax Newsletter

May 2021

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## **1. Relevant Issues on Fully Implementing Enterprise Income Tax Policy for Third-party Enterprises Engaged in Prevention and Control of Pollution**

To fully implement enterprise income tax policy for third-party enterprises engaged in prevention and control of pollution (hereinafter referred to as “third-party prevention and control enterprises”), the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment jointly promulgated the Announcement on Relevant Matters on Fully Implementing Enterprise Income Tax Policy for Third-party Enterprises Engaged in Prevention and Control of Pollution (Announcement of the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment [2021] No. 11), which takes effective from June 1, 2021. The main content is as follows:

The Announcement clarifies that the third-party prevention and control enterprises that enjoy the enterprise income tax preferential policy at the reduced rate of 15% pursuant to the Announcement on Issues concerning Enterprise Income Tax Policy for Third-party Enterprises Engaged in Prevention and Control of Pollution (Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment [2019] No. 60, hereinafter referred to as “Announcement No. 60”) shall retain a total of five sets of materials for future reference, including the description of continuous engagement in operation and practice of environmental pollution treatment facilities for more than one year, any contract or revenue voucher related to operation of environmental pollution treatment facilities, etc. After the enterprises enjoy the preferential policy, tax authorities shall carry out follow-up management. In the management process, if there is any doubt about whether the enterprises that enjoy the preference meet the conditions stipulated in Item 5 and Item 6 of Article 2 of the Announcement No. 60, the tax authorities may ask the ecological environment departments or development and reform departments at the same level listed in the Scope of Environmental Pollution Control for verification.

## **2. Guidelines for the New Policies on Additional Pre-tax Deduction of R&D Expenses**

On May 14, the State Taxation Administration promulgated the Guidelines for the New Policies on Additional Pre-tax Deduction of R&D Expenses, which summarizes the contents including the applicable scope of the policies, the detailed content of the policies and the determination of manufacturing enterprises, etc.

Regarding “determination of whether multi-industry enterprises are manufacturing enterprises”, the Guidelines clarifies that an enterprise shall be deemed as a manufacturing enterprise if its main business is manufacturing business and the income from main business in the year in which the enterprise enjoys the incentive constitutes more than 50% of its total income. Enterprises of which the income from manufacturing business constitutes less than 50% of their total income shall be deemed as other enterprises. The total income shall be calculated pursuant to Article 6 of the Enterprise Income Tax Law.



### **3. Extension of the Implementation Duration of Some Tax Preferential Policies on Poverty Alleviation**

To fully implement the spirit of the Opinions of the CPC Central Committee and the State Council on Consolidating and Expanding the Effective Connection of the Achievements of Poverty Alleviation and Rural Revitalization, the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the National Rural Revitalization Administration jointly promulgated the Announcement on Extension of the Implementation Duration of Some Tax Preferential Policies on Poverty Alleviation (Announcement of the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the National Rural Revitalization Administration [2021] No. 18). The main content is as follows:

The implementation duration shall be extended to December 31, 2025 for the tax preferential policies stipulated in the Notice of the Ministry of Finance, the State Taxation Administration, the Ministry of Human Resources and Social Security and the Poverty Alleviation Office of the State Council on Tax Policies for Further Supporting and Promoting the Entrepreneurship and Employment of Key Groups (Cai Shui [2019] No. 22), the Announcement of the Ministry of Finance, the State Taxation Administration and the Poverty Alleviation Office of the State Council on Pre-tax Deduction Policies for Enterprise Income Tax on Donations for Poverty Alleviation by Enterprises (Announcement of the Ministry of Finance, the State Taxation Administration and the Poverty Alleviation Office of the State Council [2019] No. 49) and the Announcement of the Ministry of Finance, the State Taxation Administration and the Poverty Alleviation Office of the State Council on VAT Exemption Policy for Donations of Goods for Poverty Alleviation (Announcement the Ministry of Finance, the State Taxation Administration and the Poverty Alleviation Office of the State Council [2019] No. 55).

### **4. Continuous Implementation of Deed Tax Policy Related to Reformation and Restructuring of Enterprises and Public Institutions**

To support the reformation and restructuring of enterprises and public institutions and optimize the market environment, the Ministry of Finance promulgated the Announcement on Continuous Implementation of Deed Tax Policy Related to Reformation and Restructuring of Enterprises and Public Institutions (Announcement of the Ministry of Finance and the State Taxation Administration [2021] No.17, hereinafter referred to as “the Announcement”), which takes effective in the period from January 1, 2021 to December 31, 2023.

The Announcement clarifies that where an enterprise transforms to a company limited by shares, the investors of the original enterprise continue to exist and hold more than 75% of the shares in the transformed company, and the transformed company succeeds the rights and obligations of the original enterprise, deed tax shall be exempted for the ownership of land and building succeeded by the transformed company from the original enterprise. Where companies are merged into one, and the original investors continue to exist, deed tax shall be exempted for the ownership



of land and building succeeded by the merged company from the original parties. The Announcement also clarifies the stipulations of deed tax under other conditions such as enterprise spin-off, enterprise bankruptcy, asset transfer, debt-for-equity swap and enterprise stock right (stock shares) transfer as well.

## **5. Clarification of the Issues on the Collection and Administration of Period-end Uncredited VAT Refund for Advanced Manufacturing Industries**

To fully implement the spirit of the Two Sessions, the State Taxation Administration promulgated the Announcement on Clarifying the Issues on the Collection and Administration of Period-end Uncredited VAT Refund for Advanced Manufacturing Industries (Announcement of the State Taxation Administration [2021] No. 10) pursuant to the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Period-end Uncredited VAT Refund Policy for Advanced Manufacturing Industries (Announcement of the State Taxation Administration [2021] No. 15). The main content is as follows:

From May 1, 2021, where taxpayers applicable to the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Period-end Uncredited VAT Refund Policy for Advanced Manufacturing Industries (Announcement of the State Taxation Administration [2021] No. 15) apply for incremental uncredited VAT refund, taxpayers shall handle relevant uncredited VAT refund procedures pursuant to the Announcement of the State Taxation Administration on Matters Related to the Application of Refund of Period-end Uncredited VAT (Announcement of the State Taxation Administration [2019] No. 20) and the Announcement of the State Taxation Administration on Issues Related to Collection and Administration of VAT Including the Cancellation of Authentication and Confirmation Deadline for VAT Payment Vouchers (Announcement of the State Taxation Administration [2019] No. 45).

## **6. Transfer of the Collection and Administration of Idle Land Fee and Urban Waste Disposal Fee**

To fully implement relevant arrangement requirements of the Party's Central Committee and the State Council on transfer of the collection responsibility of governmental non-tax income and the Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Further Deepening the Reform of Tax Collection and Administration, pursuant to the Notice of the Ministry of Finance on the Collection and Administration of Idle Land Fee and Urban Waste Disposal Fee Transferred to Tax Authorities (Cai Shui [2021] No.8), five departments including the State Taxation Administration and the Ministry of Finance jointly promulgated the Announcement on Collection and Administration Matters Related to Transfer of Idle Land Fee and Urban Waste Disposal Fee (Announcement of the State Taxation Administration, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development and the People's Bank [2021] No. 12), which states that the collection of idle land fee originally by the department of natural resource and the collection of urban waste disposal fee originally by the department of housing and urban-rural development and other



departments will be transferred to tax authorities for collection, and clarifies the relevant collection and administration matters after the transfer.

For idle land fee, the department of natural resources shall issue written documents such as the Decision on Levy and Collection of Idle Land Fee to taxpayers and send the Decision on Levy and Collection of Idle Land Fee and other information on the source of fee to tax authorities. Taxpayers shall file and pay the fee to tax authorities pursuant to the written documents and tax authorities shall issue payment vouchers. For urban waste disposal fee, taxpayers and enterprises paying on behalf shall file and pay the fee to tax authorities by themselves. The tax filing period of idle land fee and urban waste disposal fee shall be subject to the existing provisions. Where taxpayers do not make payment in time, tax authorities shall issue the notice on payment reminder and recover through tax-related channels in time.



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