



China Tax Newsletter

February 2020

Our tax newsletter for this month covers:

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1. Policies on Prevention and Control of the Novel Coronavirus-infected Pneumonia (COVID-19) Outbreak

(1) Enterprise income tax

Document	Main Content
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.8 (hereinafter referred to as "Announcement No.8")	<p>① Relevant equipment newly purchased by manufacturers that produce key materials for the prevention and control of the COVID-19 outbreak to expand production capacity is allowed to be included in the costs or expenses of the current period in a lump sum and deducted before the enterprise income tax.</p> <p>② The maximum carryover period for losses incurred in 2020 by enterprises in industries facing hardship due to the significant impact of the epidemic shall be extended from 5 to 8 years. The specific judgment criteria for enterprises in industries facing hardship shall be subject to the current National Industries Classification. The income from main business activities of an enterprise in industries facing hardship shall account for more than 50% of the total income of the enterprise in 2020 (excluding non-taxable income and investment gains).</p> <p>③ This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.</p>
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.9 (hereinafter referred to as "Announcement No.9")	<p>① Where enterprises donate cash or articles to cope with the COVID-19 epidemic through public welfare social organizations, the people's governments at or above the county level and departments thereof or other state organs, such donations are allowed to be fully deducted from taxable income.</p> <p>② Where enterprises directly donate articles to hospitals undertaking prevention and treatment tasks to cope with the COVID-19 epidemic, such donations are allowed to be fully deducted from taxable income.</p> <p>③ Donors may handle the matters relating to pre-tax deduction by virtue of the donation receipts issued by the receiving hospitals undertaking the tasks of prevention and control for the epidemic.</p> <p>④ This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.</p>

(2) Value-added tax ("VAT")

Document	Main Content
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.8	<p>① Manufacturers of key materials for epidemic prevention and control may apply to the competent tax authority for a full refund of the incremental VAT uncredited in each month. For the purpose hereof, the incremental VAT uncredited refers to the period-end VAT uncredited newly increased compared with that at the end of December 2019.</p> <p>② Taxpayers are exempt from VAT on their income from transporting key materials for the epidemic prevention and control.</p> <p>③ Income derived by taxpayers from provision of public transportation services and livelihood services, as well as express services for residents' daily necessities, shall be exempted from VAT. The detailed scope of public transportation services, livelihood services, as well as express services shall be subject to the Regulations on Matters relating to the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No.36).</p> <p>④ This announcement shall come into force as of January 1, 2020, and</p>



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	the invalidation date will be announced separately depending on the epidemic situation.
Announcement of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration [2020] No.6	① Imported materials donated for epidemic prevention and control will be exempted from VAT and consumption tax at importation. ② The policy will be effective from January 1, 2020 to March 31, 2020.
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.9	① Where entities and individual businesses donate goods self-produced, processed on a commission basis or purchased to cope with the COVID-19 epidemic through public welfare social organizations or the people's governments at the county level or above and the departments thereof as well as other state organs or directly to hospitals undertaking prevention and control tasks, such entities and individual businesses shall be exempted from the VAT, consumption tax, urban maintenance and construction tax, education surcharge and local education surcharges. ② This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.

(3) Individual income tax

Document	Main Content
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.9	① Where individuals donate cash or articles to cope with the COVID-19 epidemic through public welfare social organizations, the people's governments at or above the county level and departments thereof or other state organs, such donations are allowed to be fully deducted from taxable income. ② Where individuals directly donate articles to hospitals undertaking prevention and treatment tasks to cope with the COVID-19 epidemic, such donations are allowed to be fully deducted from taxable income. ③ Donors may handle the matters relating to pre-tax deduction by virtue of the donation receipts issued by the receiving hospitals undertaking the task of epidemic prevention and control. ④ This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.
Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.10	① The temporary subsidies and bonuses obtained by medical staff and epidemic prevention workers participating in the epidemic prevention and control according to the standards as stipulated by the government are exempt from individual income tax. ② Articles such as drugs, medical supplies, protective equipment and so on (not including cash) distributed by entities to individuals to prevent COVID-19 will not be included in the income from wages and salaries and will be exempted from individual income tax. ③ This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.



(4) Tariffs

Document	Main Content
Announcement of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration [2020] No.6	①Imported materials donated for epidemic prevention and control will be exempted from import duties. ②Goods and materials imported by competent health departments for epidemic prevention and control will be exempted from customs duties. ③The policy will be effective from January 1, 2020 to March 31, 2020.
Shui Wei Hui [2020] No. 6	For materials that are imported from and originated in the U.S. in accordance with the Announcement of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration [2020] No.6, tariff concessions suspended under the 232 Measure against the U.S. shall be resumed, the additional tariffs imposed on goods imported from the U.S. in response to the 301 Measure of the U.S. shall not be levied.

(5) Tax collection administration

Document	Main Content
Announcement of the State Taxation Administration [2020] No.4	①Refund of the incremental VAT uncredited for manufacturers of key materials for the epidemic prevention and control. ②Notes on record-filing formalities, invoice issuance and declaration for taxpayers entitled to VAT and consumption tax exemption ③Notices on record-filing formalities, proof application, declaration and paper documents for export tax rebates (exemptions). ④Measures for failure to declare export tax rebates (exemptions), issue proof, and collect foreign exchange within the stipulated period. ⑤Notices on applying the policy of pre-tax deduction for enterprise income tax purpose for eligible costs and expenses charged on lump-sum basis to the current period. ⑥Notices on applying the policy of extension of the maximum carryover period to 8 years for losses incurred in 2020 by enterprises in industries facing hardship due to the significant impact of the epidemic. ⑦Notices on applying the policies on pre-tax deductions of donations made by enterprises or individuals to cope with the COVID-19 epidemic.
Shui Zong Fa [2020] No.14	①Prepare guidelines on tax preferences in support of the epidemic prevention and control. ②The State Taxation Administration will sort out and release a list of online services of tax-related matters. ③Expand the scope of online handling of tax matters and tax payment.
Shui Zong Han [2020] No.27	①Except for Hubei Province, the tax declaration deadline of February 2020 for taxpayers declaring tax by month shall be further postponed to February 28, 2020. ②Where a taxpayer is still unable to declare tax or make delayed declaration by February 28, 2020 due to impact of the epidemic, the taxpayer may, after explaining justifiable reasons in writing to the tax authority in a timely manner, supplement the delayed declaration formalities and then make the tax declaration accordingly.

(6) Others

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Cai Jin [2020] No.3	①Regarding loans newly issued to manufacturers of key materials for epidemic prevention and control in 2020, in addition to the preferential interest rates provided by financial institutions with the back of special



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	re-loans from the People's Bank of China, interest subsidies from the Central Finance at 50% of the interest rate of re-loans from the People's Bank of China will be granted. The period of the interest subsidies shall be no longer than one year. ②For the secured loans for individual start-up already issued, where the borrower suffers from COVID-19, he/she may apply to the lending bank for the extension of repayment period. ③ Encourage financial institutions to provide credit loans to manufacturers of key materials for epidemic prevention and control and small and micro enterprises greatly affected by the epidemic.
Announcement of the Ministry of Finance and the National Development and Reform Commission [2020] No.11	①Products related with the novel coronavirus (2019-nCoV) prevention and control that are going through the emergency approval process of medical apparatus and instruments are exempted from registration fees for medical apparatus and instruments. ②Drugs for the treatment and prevention of the novel coronavirus (2019-nCoV) infected pneumonia that are going through the special approval process of drugs are exempted from drug registration fees. ③Airline companies are exempted from the civil aviation development fund. ④This announcement shall come into force as of January 1, 2020, and the invalidation date will be announced separately depending on the epidemic situation.

2. Individual Income Tax Policies Relating to Income Sourced outside China

For the purpose of implementation of the Individual Income Tax Law of the People's Republic of China and the Implementation Regulations for the Individual Income Tax Law of the People's Republic of China, the Ministry of Finance and the State Taxation Administration jointly released the Announcement on Individual Income Tax Policies Relating to Income Sourced outside China (Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.3). The main content is as follows:

(1) Income sourced outside China

- ①Income from personal services provided outside the territory of China because of the tenure of an office, employment, the performance of a contract, etc.;
- ②Income from author's remuneration paid and borne by enterprises and other organizations outside China;
- ③Income from the licensing for use outside China of any kind of franchises;
- ④Income related to production and business activities derived from production and business activities outside the territory of China;
- ⑤Income from interest, dividends and bonuses derived from enterprises, other organizations and non-resident individuals outside the territory of China;
- ⑥Income from the lease of property to a lessee for use outside the territory of China;



⑦ Income from the transfer of immovable property outside the territory of China, or stocks, equity rights or other equity assets (hereinafter referred to as "equity assets") created by investment in enterprises or other organizations outside the territory of China, or income from the transfer of other property outside the territory of China.

⑧ Contingent income paid and borne by enterprises, other organizations and non-resident individuals outside the territory of China;

⑨ Where the Ministry of Finance or the State Taxation Administration stipulates otherwise, such provisions shall prevail.

(2) Domestic and overseas income tax amount payable for the current period shall be computed in the following methods:

① The comprehensive income of a resident individual from outside China shall be consolidated into the domestic comprehensive income for calculating the tax payable;

② The taxable amount of income from business operations outside China derived by a resident individual shall be consolidated into the income from business operations in China;

③ Income derived from interest, dividends and bonuses, income from lease of property, income from transfer of property and contingent income sourced outside China by resident individuals (hereinafter referred to as the "other income categories") shall not be consolidated into the domestic income, and the taxable amount shall be computed separately.

(3) Where a resident individual derives income sourced outside China within a tax year, the income tax paid by the individual outside China pursuant to the provisions of tax laws of the country (region) where the income is sourced may be deducted from the tax amount payable of the said tax year within the tax credit limit.

(4) A resident individual who derives income outside China shall declare tax during the period from March 1 to June 30 of the year following the year when the income is obtained.

3. Value-added Tax Policies in Support of Opening Up of Commodity Futures Markets

In order to support the opening up of the commodity futures markets, the Ministry of Finance and the State Taxation Administration released the Announcement on Value-added Tax Policies in Support of Opening Up of Commodity Futures Markets (Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.12). The main content is as follows:

From November 30, 2018 to November 29, 2023, bonded delivery of the commodity futures belonging to the types approved by the State Council for opening-up will be temporarily exempt from VAT. Where the goods actually delivered in the above-mentioned futures trading are imported or exported, the existing import and export tax policies on goods shall apply uniformly. The provisions of the Notice of



State Taxation Administration on Promulgation of the Specific Measures on Collection of Value-added Tax for Commodity Futures (Guo Shui Fa (1994) 244) shall continue to apply to physical delivery of futures for non-bonded commodities.

4. Export Rebate Policy on Fuel Oil Used to Refuel International Voyage Vessels

The Ministry of Finance, the State Taxation Administration and the General Administration of Customs released the Announcement on the Export Tax Rebate Policy on Fuel Oil Used to Refuel International Voyage Vessels (Announcement of the Ministry of Finance, State Taxation Administration and General Administration of Customs [2020] No.4). The main content is as follows:

(1) The export tax rebate (exemption) policy shall be applicable to fuel oil used to refuel international voyage vessels in China's coastal ports, and the VAT export rebate rate is 13%. The term "fuel oil" as mentioned in this Announcement refers to products with the code "27101922".

(2) The Customs shall issue the customs export declaration forms for fuel oil entering the export supervision warehouse for refueling international voyage vessels, and the taxpayers shall apply to the tax authorities for the export tax rebate (exemption) by presenting the customs export declaration forms and other relevant materials.

(3) The Announcement shall come into effect as of February 1, 2020.

5. Updating the Export Tax Rebate Rate Library (Edition 2020A)

The State Taxation Administration has adjusted the tax rebate rate library for export commodities in accordance with relevant provisions of the export tax rebate or exemption policies issued by the State recently. The Shenzhen Tax Service, State Taxation Administration has released the Notice on Updating the Export Tax Rebate Rate Library (Edition 2020A). The main content is as follows:

(1) From February 17, 2020, all enterprises applying for the export tax rebates or exemption shall use the new tax rebate rate library for the rebate declaration. The edition of the latest tax rebate rate library is 2020A.

(2) The upgrade programs for the tax rebate rate library of the export tax rebate declaration system (including the declaration system for foreign trade enterprises and the declaration system for manufacturing enterprises) are on the website of the Shenzhen Tax Service, State Taxation Administration. Export enterprises should download and install them.

6. Reduction or Exemption of Social Insurance Premiums for Enterprises in Phases

For the purposes of implementing President Xi Jinping's important instructions in relation to COVID-19 epidemic prevention and control, relieving enterprise difficulties, promoting orderly resumption of work and production by enterprises,



and supporting stable and widened employment, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration jointly released the Notice on Reduction or Exemption of Social Insurance Premiums for Enterprises in Phases (Ren She Bu Fa [2020] No.11). The main content is as follows:

(1) With effect from February 2020, micro, small and medium-sized enterprises in all provinces (except for Hubei Province) may be exempt from contribution of the three items of social insurance premiums for the portion borne by company, depending on the epidemic impact and the fund threshold. The exemption period shall not exceed five months. For other social insurance participating entities such as large enterprises (excluding government bodies and public institutions), contribution of the three items of social insurance premiums may be reduced by half for the portion borne by company, and the reduction period shall not exceed three months.

(2) With effect from February 2020, all types of social insurance participating entities in Hubei Province (excluding government bodies and public institutions) may be exempt from contribution of the three items of social insurance premiums for the portion borne by company. The exemption period shall not exceed five months.

(3) Enterprises which encounter serious difficulties in their production and business operations due to the epidemic may apply for deferred payment of social insurance premiums, and the deferred period shall in principle not exceed six months. Late payment fines shall be waived for the deferred period.

(4) The Central Government adjustment ratio for the basic pension insurance funds of enterprise employees for 2020 shall be raised to 4%, to enhance support for stricken localities.

7. Deferred Payment of Social Insurance Premiums of Enterprises and the Benefit Enjoyment of Medical Insurance during the Epidemic Period

In order to cope with the COVID-19 outbreak and support enterprises to tide over the difficulties, the Shenzhen Human Resources and Social Security Bureau and the Shenzhen Medical Security Bureau issued the Notice on Matters concerning Deferred Payment of Social Insurance Premiums of Enterprises and the Benefit Enjoyment of Medical Insurance during the Epidemic Period. The main content is as follows:

(1) Enterprises (including individual businesses, the same below) affected by the epidemic that are unable to pay social insurance premiums on time may delay the payment to within three months after the epidemic is ended after reporting to the social security departments. During the above-mentioned period no late payment penalties will be charged.

(2) During the epidemic period, enterprises shall report the information changes such as new insurance participation, insurance suspension, social insurance type change and salary change via the online service system for social insurance participating enterprises in Shenzhen in a timely manner, and at the same time keep the relevant proof such as labor contracts and salary payment for future inspection.



(3) During the epidemic period, where enterprises fail report to the social security departments for deferred payment of social insurance premiums in a timely manner due to the impact of the epidemic, which leads to the direct debit of social insurance premiums from bank accounts, they may apply to the social security department for refund of the amounts.

(4) During the deferred payment period, where employees in enterprises apply to complete the formalities related with account settlements such as the pension benefits enjoyment approval, cross-province transfer and continuity of accounts, or employees need to get the insurance reimbursement of the work-related injury insurance, unemployment insurance, medical insurance or maternity insurance, enterprises shall log in the online service system for social insurance participating enterprises in Shenzhen and separately make payments for the involved employees.



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