



# China Tax Newsletter

May 2020

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## **1. Helping Small and Microbusinesses and Individual Businesses in the Service Sector Ease Property Rental Pressure for Coping with the COVID-19 Epidemic**

To implement the decisions and plans of the CPC Central Committee and the State Council, coordinate efforts in facilitating COVID-19 prevention and control and economic and social development, and further help small and microbusinesses and individual businesses in the service sector ease rental pressure on housing, upon consent of the State Council, departments such as National Development and Reform Commission issued *Guidelines on How to Further Help Small and Microbusinesses and Individual Businesses in the Service Sector Ease Rental Pressure on Housing for Coping with the COVID-19 Epidemic* (Fa Gai Tou Zi Gui [2020] No. 734). The main content is as follows:

- (1) Local governments shall make overall plans for all types of financial funds (including central transfer payments and local governments' own financial resources) and, in light of local conditions, give proper assistance to small and microbusinesses and individual businesses in the service sector that lease non-state-owned housing.
- (2) Property leasers offering rental exemptions or reductions to small and microbusinesses and individual businesses in the service sector may enjoy reduction or exemption of real estate tax and urban land use tax of the current year. It is imperative to properly implement preferential tax policies for small-scale VAT taxpayers.

## **2. Extension of Preferential Tax Policies for Work and Business Resumption**

To further support individual businesses and small and microbusinesses in all-round work and business resumption, the Ministry of Finance and the State Taxation Administration issued *Announcement on Continuing to Implement the Preferential Tax Policies for Financial Inclusion* (Announcement of the Ministry of Finance and the State Administration of Taxation [2020] No. 22) and *Announcement on the Extension of the Implementation Period of VAT Reduction and Exemption Policy for Small-scale Taxpayers* (Announcement of the Ministry of Finance and the State Taxation Administration [2020] No. 24). The main content is as follows:

- (1) The preferential tax policies stipulated in *Announcement of the Ministry of Finance and the State Taxation Administration Concerning the VAT Policy for Supporting Individual Businesses in Work and Business Resumption* (Announcement of the Ministry of the Finance and the State Taxation Administration [2020] No. 13) will be extended to December 31, 2020, that is, during this period, small-scale taxpayers in Hubei Province is exempted from VAT for taxable sales originally subject to VAT at the rate of 3%; the VAT rate for such taxpayers elsewhere in the country is reduced to 1%; suspension of VAT pre-payment is granted to small-scale taxpayers in Hubei Province for the items subject to pre-payment of VAT at the rate of 3% , while the rate of VAT pre-payment for small-scale taxpayers elsewhere in the country is reduced to 1%.



(2) The implementation period of the tax policies for supporting the development of rural finance and small and microbusiness financing, tax policies announced to microcredit companies, and tax exemption on guarantee income and re-guarantee income obtained by providing financing guarantee for farmers, small enterprises, micro-enterprises and individual industrial and commercial households in borrowing and issuing bonds shall be extended to December 31, 2023.

### **3. Preferential Fiscal and Tax Policies for Industries Such as Film Industry**

In order to support the development of industries such as film industry, the Ministry of Finance and the State Taxation Administration issued *Announcement on Preferential Fiscal and Tax Policies for Industries Such as Film Industry* (Announcement of the Ministry of Finance and the State Taxation Administration [2020] No. 25). The main content is as follows:

(1) From January 1, 2020 to December 31, 2020, taxpayers will be exempted from VAT on their income from motion picture projection service. The term 'motion picture projection service' as mentioned in this Announcement refers to the film audiovisual service provided to the audience by the organization holding the motion picture projection business license by using professional cinema projection equipment.

(2) The longest carryover period will be extended from 5 years to 8 years for the losses incurred by film enterprises in 2020. Film enterprises only refer to film production, distribution and projection enterprises, excluding those that disseminate films through information networks such as the Internet, telecommunication networks, broadcast networks.

(3) Construction fee for cultural undertakings is exempted from January 1, 2020 to December 31, 2020.

(4) The taxes and fees that have been collected before the date of this Announcement and which should be exempted in accordance with the provisions of this Announcement may be used to offset the taxes and fees that should be paid by payers in the following months or shall be refunded.

### **4. Shenzhen Will Fully Promote the Use of Electronic General Invoices**

In order to explore the invoice management mode that can effectively reduce the costs of tax collection, administration and compliance and to cope with COVID-19 epidemic prevention and control, the Shenzhen Tax Service, State Taxation Administration issued *Notice on Promoting the Use of Electronic General Invoices* (Notice of Shenzhen Tax Service, State Taxation Administration [2020] No. 10). Taxpayers can choose to issue electronic invoices through either the invoice management system of the State Taxation Administration or the block chain electronic invoice platform, and taxpayers who have been approved to issue various kinds of general invoices can additionally apply for issuing electronic general invoices. Taxpayers who apply for invoice type assessment for the first time can



directly choose electronic general invoices.

If paper invoice is required either by the issuing party or the receiving party of an electronic general invoice, they can directly print out the soft copy of the electronic general invoice, which has the same legal effect and basic purposes and is subject to the same basic usage regulations as those of paper general invoices.

## **5. VAT Electronic Invoices Can Be Issued for Personal Housing Leasing Business in Shenzhen**

In order to optimize tax services and improve tax matter handling efficiency, the Shenzhen Tax Service, State Taxation Administration promotes issuance of electronic general VAT invoice (hereinafter referred to as "VAT e-invoice") on behalf of individuals dealing with house leasing business and issues *Notice on Issuing VAT Electronic Invoices for Personal Housing Leasing Business* (Notice of the Shenzhen Tax Service, State Taxation Administration [2020] No. 12). The main content is as follows:

1. From May 15, 2020, the housing leasing entrustment collection organizations in Futian District, Shenzhen can issue a VAT e-invoice when handling personal housing leasing business. Meanwhile, a natural person can apply for issuing a VAT e-invoice on his (or her) behalf through WeChat Official Account 'Shenzhen Tax Service' when he (or she) handles personal housing leasing business.
2. From June 1, 2020, the housing leasing entrustment collection organizations in Shenzhen can issue VAT e-invoice when handling personal housing leasing business.
3. Taxpayers themselves can print out VAT e-invoices for use.



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