



# China Tax Newsletter

## April 2020

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## **1. Extension of Deadline for Filing Tax Returns in April 2020**

In order to further support epidemic prevention and control and enterprises' resumption of work and production and to facilitate taxpayers and withholding agents (hereinafter referred to as "taxpayers") to go through tax declaration, the State Taxation Administration issued the *Notice on Relevant Matters Concerning Extension of Deadline for Filing Tax Returns in April 2020* (Shui Zong Han [2020] No.55). The main content is as follows:

- ① For taxpayers that declare tax on a monthly or quarterly basis, the tax declaration deadline shall be extended nationwide from April 20 to April 24. The tax declaration deadline may be further extended appropriately in Hubei Province depending on actual conditions. The specific application scope and deadline shall be specified by Hubei Provincial Tax Service, State Taxation Administration, according to law.
- ② Affected by the epidemic, if taxpayers still have difficulties in going through tax declaration within the tax declaration period in April 2020, the taxpayers may apply to the tax authorities for extension of the declaration deadline according to law.

## **2. Value-added Tax Policy on Second-hand Car Distribution**

In order to promote automobile consumption, the Ministry of Finance and the State Taxation Administration issued the *Announcement on the Value-added Tax Policy Concerning Second-hand Car Distribution* (Announcement of the Ministry of Finance and the State Taxation Administration [2020] No.17). The main content is as follows:

From May 1, 2020 to December 31, 2023, where taxpayers engaged in second-hand car distribution sell their purchased second-hand cars, the value-added tax (VAT) will be levied at the reduced rate of 0.5% instead of the reduced rate of 2% from the original 3% under the simplified method.

The second-hand cars mentioned in this announcement refer to the vehicles that are traded and are transferred in terms of ownership from completion of the registration procedure to the date when the vehicles meet the national compulsory scrapping standards. The specific scope shall be subject to the measures on circulation management of second-hand cars issued by the competent department of commerce under the State Council.

## **3. Temporary Exemption from the Interest on Deferred Tax on Domestic Sales of Processing Trade Goods**

In order to support the development of processing trade, the General Administration of Customs issued the *Announcement on Temporary Exemption from the Interest of Deferred Tax on Domestic Sales of Processing Trade Goods* (Announcement of the General Administration of Customs [2020] No.55). The main contents are as follows:



From April 15, 2020 to December 31, 2020 (based on the date of declaration for domestic sales by enterprises), domestic sales of processing trade goods by enterprises shall be temporarily exempted from interest on deferred tax.

#### **4. Exemption of Vehicle Purchase Tax on New Energy Vehicles**

In order to support the development of the new energy vehicle industry, the Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology issued the *Announcement on Relevant Policies Concerning Exemption of Vehicle Purchase Tax on New Energy Vehicles* (Announcement of the Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology [2020] No.21). The main content is as follows:

From January 1, 2021 to December 31, 2022, new energy vehicles purchased will be exempt from the vehicle purchase tax. The new energy vehicles that are exempted from the vehicle purchase tax refer to pure electric vehicles, plug-in hybrid vehicles (including extended-range electric vehicles) and fuel cell vehicles.

#### **5. Validation and Implementation of China-Chile Tax Treaty**

The *Protocol on Amendment of the Agreement between the Government of the People's Republic of China and the Government of the Republic of Chile for the Avoidance of Double Taxation and Prevention of Tax Evasion on Income* came into force on October 17, 2019 and is applicable to income obtained on or after January 1, 2017. The main content is as follows:

Enterprises of one contracting party engage in international transport business in the other contracting party by ship or aircraft shall be exempted from the VAT in the other contracting party. According to the regulation, China will exempt Chilean enterprises from VAT for the income derived from provision of international transport services by ship or aircraft in China and Chile will also give equal treatment to China's international transport enterprises.

#### **6. Bookkeeping and Archiving of Electronic Accounting Vouchers for Reimbursement**

In order to adapt to the development of e-commerce and e-government and regulate the bookkeeping and archiving of various electronic accounting vouchers for reimbursement, the Ministry of Finance and the National Archives Administration of China issued the *Notice on Regulating the Bookkeeping and Archiving of Electronic Accounting Vouchers for Reimbursement* (Cai Kuai [2020] No.6). The main content is as follows:

##### **① Electronic accounting vouchers**

Electronic accounting vouchers received by entities from outside include electronic invoices, financial electronic notes, electronic tickets, electronic itinerary, special electronic customs payment documents, electronic bank receipts, etc.



## ② Legal effect

Authentic electronic accounting vouchers from legal sources have the same legal effect as paper accounting vouchers, and electronic accounting archives that meet archives management requirements have the same legal effect as paper archives.

## ③ Conditions to be met where bookkeeping, archiving and reimbursement are done solely based on electronic accounting vouchers

a. The received electronic accounting vouchers are verified to be legal and authentic.

b. The transmission and storage of electronic accounting vouchers are secure and reliable and any tampering with electronic accounting vouchers can be found in time.

c. The accounting system used can accurately, completely and effectively receive and read electronic accounting vouchers and their metadata, complete the accounting business according to the unified national accounting system, and output electronic accounting vouchers and their metadata according to the format specified by the national archives administrative department. Also, necessary approval procedures such as handling, review and approval has been set up in the system and the system can effectively prevent repeated entry of electronic accounting vouchers.

d. The archiving and management of electronic accounting vouchers meet the requirements of the *Measures for the Administration of Accounting Archives* (No.79 [2015] of the Ministry of Finance and National Archives Administration of China).

## ④ Retention requirements

If an entity uses hard copy of electronic accounting voucher as the basis for bookkeeping and archiving for reimbursement, the electronic accounting voucher printed on the hard copy shall be saved simultaneously.

## **7. Notice on Promotion of Convenient Identification Management and Service for High-tech Enterprises**

In order to promote the high-quality development of high-tech enterprises, the Torch High Technology Development Center of the Ministry of Science & Technology issued the *Notice on Promotion of Convenient Identification Management and Service for High-tech Enterprises* (Guo Ke Huo Zi [2020] No.82). The main content is as follows:

① With regards to the requirements on materials related to intellectual property in the *Guidelines for Identification Management of High-tech Enterprises*, enterprises are no longer required to provide paper patent certificates for patents with the authorized announcement dates later than March 3, 2020 (inclusive).

② Given the actual situation of epidemic development, the deadline for filling the *Report on the Development of High-tech Enterprises in 2019* will be extended to



June 30, 2020 (where relevant national policies are released to adjust the deadline, the deadline will be extended accordingly).

## **8. Extension of the Period for Submitting Tax-related Professional Services and Business Information in 2019**

In order to facilitate tax-related professional service organizations to submit information, the State Taxation Administration issued the *Notice on Extension of the Period for Submitting Tax-related Professional Services and Business Information in 2019*. The main content is as follows:

- ① Affected by the epidemic, if tax-related professional service organizations are unable to submit the *General Report on Annual Tax-related Professional Services* for the year 2019 to the competent tax authorities before March 31, 2020, the submission period may be extended to May 31, 2020.
- ② Affected by the epidemic, if tax firms, accounting firms and law firms are unable to submit to the competent tax authorities the *Information Collection Form for Elements of Special Business Reports* corresponding to professional tax consulting, tax planning, tax-related verification and tax payment review completed in December 2019 before March 31, 2020, the submission period may be extended to May 31, 2020.

## **9. Adjustment of the Basic Pension for Retirees**

The Ministry of Finance and the Ministry of Human Resources and Social Security issued the *Notice on Adjustment of the Basic Pension for Retirees in 2020* (Ren She Bu Fa [2020] No.22). According to the notice, the basic pension level of retirees of enterprises, governmental organs and public institutions will be adjusted from January 1, 2020. The main content is as follows:

### ① Scope subject to adjustment

Retirees who have gone through the retirement procedure before December 31, 2019 and receive the basic pension on a monthly basis

### ② Level of adjustment

The overall adjustment proportion nationwide is determined according to 5% of the monthly per capita basic pension for retirees in 2019. All provinces shall determine their own adjustment proportions and levels with the overall adjustment proportion nationwide as the upper limit.



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