



# China Tax Newsletter

March 2020

Our tax newsletter for this month covers:

1. Extending the Time for Declaring the Handling Fee for Authorized Withholding, Collection and Levy of Taxes for 2019 ..... 1
2. Funds for Constructing National Key Water Projects and Funds for Water Works to Be Collected by the Tax Authority ..... 1
3. Announcement of Shenzhen Tax Service, State Taxation Administration on Issues Concerning the Taxable Gross Profit Rate of Enterprise Income Tax on Real Estate Development and Operation Businesses ..... 2
4. List of "Non-Contact" Tax Matters Released by the Guangdong Provincial Tax Service..... 2
5. Policies Released by Guangdong Province on Payment of Social Insurance Premiums and Claim of Social Insurance Benefits during the Period of Prevention and Control of the Novel Coronavirus-Infected Pneumonia (COVID-19) Outbreak ..... 3
6. Policies Released by Guangdong Province on Adjusting the Levels of Endowment Insurance Contribution for Urban and Rural Residents ..... 4
7. Further Clarification on Phased Reduction of Basic Medical Insurance Contributions for Employees in Guangdong Province ..... 5



## **1. Extending the Time for Declaring the Handling Fee for Authorized Withholding, Collection and Levy of Taxes for 2019**

According to the Notice on Extending the Time for Declaring the Handling Fee for Withholding, Collection and Levy of Taxes for 2019 (Shui Zong Han [2020] No. 43), in order to further support the prevention and control of the novel coronavirus-infected pneumonia (COVID-19) outbreak, make more efforts to help enterprises and stabilize employment, ease difficulties facing enterprises, the State Taxation Administration, after consulting with the Ministry of Finance, decides to extend the time for declaring the handling fee for withholding, collection and authorized levy of taxes of 2019 from March 30 to May 30, 2020.

## **2. Funds for Constructing National Key Water Projects and Funds for Water Works to Be Collected by the Tax Authority**

To implement the CPC Central Committee and the State Council's requirements for transferring the duty of collection and administration of non-tax income, the Ministry of Finance unveils the Notice of Collecting the Funds for Constructing National Key Water Projects and Funds for Water Works by the Tax Authority (Cai Shui [2020] No. 9). The main contents are as follows:

(1) Starting from Jan. 1, 2020, the tax authority will take the duty of collecting the funds for constructing national key water projects originally collected by local governments and competent departments and the funds for water works collected from enterprises, public institutions and self-employed persons. The collection and final settlement of the said funds of 2019 will be under the responsibility of the former collector (supervisor).

(2) After the foregoing funds are collected by the tax authority, the fund income of previous years that should be paid but has not been paid shall be collected by the tax authority.

(3) The scope, object, standard, revenue sharing, use and timeline of the foregoing funds shall still be subject to existing provisions. The tax authority shall collect the funds in accordance with laws and administrations in addition to the provisions concerning the centralized fiscal collection and deposit system, in order for ensuring the deposit of the fund income in a timely fashion.

(4) If the fund income needs to be returned due to mistaken collection, payment and final settlement, the financial department shall authorize the tax authority to handle the return; if the fund income needs to be returned due to relief, the return shall be subject to the financial department's relevant administrative provisions.



### **3. Announcement of Shenzhen Tax Service, State Taxation Administration on Issues Concerning the Taxable Gross Profit Rate of Enterprise Income Tax on Real Estate Development and Operation Businesses**

According to the Enterprise Income Tax Law of the People's Republic of China and its implementation rules, as well as the Notice of the State Taxation Administration on Promulgation of the Measures on Treatment of Enterprise Income Tax for Real Estate Development and Operation Businesses (Guo Shui Fa [2009] No. 31, later revised by the Announcement of the State Taxation Administration [2018] No. 31), this Announcement is developed to further improve the environment for tax collection and business, regulate the collection and administration of enterprise income tax for enterprises engaged in real estate development and operation, and adjust the taxable gross profit rate for sold unfinished products and the cost-profit ratio of the developed products treated as sold for enterprises engaged in real estate development and operation in combination with the development of the real estate market and the real profit of real estate development projects in Shenzhen.

(1) The Announcement unifies the taxable gross profit rate of enterprise income tax imposed on sold unfinished products for enterprises engaged in real estate development and operation in and outside the previous special economic zones of Shenzhen, details are as follows:

- a. The taxable gross profit rate for development projects in Shenzhen is set at 15%;
- b. The taxable gross profit rate is set at 3% for economically affordable housing, price-capped housing and transformed dilapidated buildings.

(2) The Announcement makes it clear that for developed products treated as sold, where profits are recognized based on the cost-profit ratio method, the cost-profit ratio for development projects in Shenzhen shall be set at 15%, regardless of whether the projects are in or outside the previous special economic zones of Shenzhen.

### **4. List of "Non-Contact" Tax Matters Released by the Guangdong Provincial Tax Service**

In order to continuously deepen the reform of "streamlining administration and instituting decentralization, delegating power while strengthening regulation and improving services" for the taxation system, the Guangdong Provincial Tax Service, State Taxation Administration promulgated the List of "Non-Contact" Tax Matters Handled by the Guangdong Provincial Tax Service, State Taxation Administration (hereinafter referred to as "the List"). The main contents are as follows:

(1) The "non-contact" tax matters refer to tax matters that can be handled by taxpayers and payers through such online channels as <http://www.etax-gd.gov.cn/>, the public WeChat account "Guangdong Taxation", WeChat applet "YueShuiTong", <https://etax.chinatax.gov.cn/> and VAT invoice comprehensive service platform. Where compulsory conditions for online handling are met, complete materials



complying with compulsory requirements are uploaded, tax matters as contained in the List can be handled remotely and there is no need to complete related formalities onsite or obtain documents or materials at the tax service hall of the tax authority.

(2) The List contains tax matters such as information report, invoice application, tax declaration and filing, tax preference application, certification application, social insurance and non-taxable income declaration, export tax rebate (exemption) and international tax matters. The Guangdong Provincial Tax Service, State Taxation Administration will adjust the List from time to time based on policy changes and actual taxation administration requirements and will announce the new List on its official website.

(3) Taxpayers and payers can refer to the List and the Guidance at <http://guangdong.chinatax.gov.cn>, or dial 12366 to consult or consult at the tax service hall of the tax authority.

## **5. Policies Released by Guangdong Province on Payment of Social Insurance Premiums and Claim of Social Insurance Benefits during the Period of Prevention and Control of the Novel Coronavirus-Infected Pneumonia (COVID-19) Outbreak**

To implement important decisions on prevention and control of the COVID-19 outbreak made by the CPC Central Committee, the State Council, Guangdong Provincial Committee of CPC, and the People's Government of Guangdong, as well as the Notice of the General Office of the Ministry of Human Resources and Social Security on Handling Social Insurance during the Period of Prevention and Control of the Novel Coronavirus-Infected Pneumonia (COVID-19) Outbreak (Ren She Ting Ming Dian [2020] No. 7), below policies are published with regard to payment of social insurance premiums and claim of social insurance benefits during the period of prevention and control of the COVID-19 outbreak:

(1) If, due to the COVID-19 outbreak, an employer cannot pay the endowment insurance, unemployment insurance and work-related injury insurance premiums in time, the employer can make the payment without any late payment fees within three months upon the end of the COVID-19 outbreak.

(2) If, during the period of the COVID-19 outbreak, employers, flexibly employed persons and urban and rural residents fail to handle insurance payment registration, declaration and payment, and application for social insurance benefits, they shall complete related formalities within three months after the COVID-19 outbreak comes to an end and enjoy the endowment insurance, unemployment insurance and work-related injury insurance benefits during the extended period, without any influence on their record of individual rights and interests.



## 6. Policies Released by Guangdong Province on Adjusting the Levels of Endowment Insurance Contribution for Urban and Rural Residents

To implement the Implementation Measures for Endowment Insurance for Urban and Rural Residents of Guangdong Province (Yue Fu [2019] No. 105), the Guangdong Provincial Tax Service, State Taxation Administration has released the Announcement on Adjusting the Levels of Endowment Insurance Contribution (Announcement of Human Resources and Social Security Department of Guangdong Province and Guangdong Provincial Tax Service, State Taxation Administration [2020] No. 1, hereinafter referred to as "Announcement No.1") and the Announcement on Extending the Time of Declaring and Paying the Endowment Insurance for Urban and Rural Residents (Announcement of Human Resources and Social Security Department of Guangdong Province and Guangdong Provincial Tax Service, State Taxation Administration [2020] No. 2, hereinafter referred to as "Announcement No.2"). The main contents are as follows:

Item	Main Content
Provisions on adjusting the levels of insurance contribution	A) Starting from Jan. 1, 2020, the annual contribution by individuals can be set at RMB180, RMB240, RMB360, RMB600, RMB900, RMB1200, RMB1800, RMB3600 or RMB4800. The insured can choose to make contribution at any one of the above levels of contribution. The disadvantaged group including registered persons who have not get rid of poverty, persons enjoying basic living allowance, persons living in dire poverty, the severely disabled and the mentally handicapped (hereinafter referred to as "the disadvantaged group") can choose to make contribution at RMB120 each year. The insured can choose only one level of contribution in a calendar year. B) Where the disadvantaged group participates in the endowment insurance for urban and rural residents, the people's government of municipality or county above prefectural level (city or district) shall pay RMB120/person/year for the endowment insurance in part or in whole for the disadvantaged group. Where the disadvantaged group chooses to make contribution at RMB180 or more each year, they shall bear the extra expenses in addition to the amount paid by local people's government according to relevant provisions.
Application filed by the insured to change the level of contribution	According to the Announcement No. 2, the time for the insured to apply for changing the level of contribution is extended from Feb. 29, 2020 as stipulated in the Announcement No. 1 to April 30, 2020. It is suggested that the insured change the level of contribution through such online channels as "Guangdong Shebao" App. Where the insured fails to apply for making a change within the deadline, the contribution amount for endowment insurance will be automatically changed to the amount of the corresponding level as per the Announcement No. 1. If the insured has any objection to the changed level of contribution, they can apply to change the level of contribution.
Provisions on time of payment	According to the Announcement No. 2, the time to start paying the endowment insurance for urban and rural residents in 2020 is extended from March 1, 2020 as stipulated in the Announcement No. 1 to May 1, 2020, and the insured that makes a monthly payment shall make the payment for January to May in May 2020.



## 7. Further Clarification on Phased Reduction of Basic Medical Insurance Contributions for Employees in Guangdong Province

To further do well in phased reduction of the basic medical insurance contributions for employees by half in Guangdong Province, the Healthcare Security Administration of Guangdong Province and Guangdong Provincial Tax Service, State Taxation Administration released the Notice of Opinions on Further Clarification of Phased Reduction of the Basic Medical Insurance Contributions for Employees (Yue Yi Bao Han [2020] No. 62). Its main contents are as follows:

Item	Main content
The insurance to be halved	Only the premiums of the basic medical insurance for employees are eligible for reduction by phases, not the maternity insurance and various supplemental medical insurances.
Object	Enterprises having registered for insurance payment, self-employed persons who are covered by the insurance in the form of a unit, social organizations and private non-enterprise units are eligible to the phased reduction of the basic medical insurance contributions for employees and are allowed to pay half of the basic medical insurance premiums for employees. The proportion of basic medical insurance premiums paid by an individual will not be halved. This policy is not applicable to government organizations and public institutions and the individual applicants.
Base rates during the period of reduction	The authorities in the planning areas eligible for the 50% reduction shall determine the base premium rates for the 50% reduction in strict accordance with the Opinions of the Human Resources and Social Security Department of Guangdong Province, the Healthcare Security Administration of Guangdong Province, Guangdong Provincial Department of Finance and Guangdong Provincial Tax Service, State Taxation Administration on Reducing Social Insurance Premiums of Enterprises by Phases (Yue Ren She Fa [2020] No. 58). In the planning areas where the phased reduction has started, employers applicable to the policy of 50% reduction are allowed to pay 50% of the basic medical insurance premiums that shall be borne by an employer before the previous reduction; and government organizations, public institutions and individual applicants not eligible to the policy of 50% reduction shall continue to pay basic medical insurance premiums that shall be borne by the employer based on the amount after the previous reduction.
Provisions for belated contribution of the proportion borne by individuals	Where employers postpone the payment of basic medical insurance contributions for employees, the proportion to be borne by employees shall be postponed as well. During the extension period, the basic medical insurance premiums will not be credited into the insured's account until the basic medical insurance premiums are fully paid later. Medical security institutions shall properly make a record of individual rights and interests to ensure that the individual rights and interests of the insured paying basic medical insurance premiums later will not be affected.





This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO China Shu Lun Pan Certified Public Accountants LLP and Lixin Certified Tax Agents Co., Ltd to discuss these matters in the context of your particular circumstances. BDO China Shu Lun Pan Certified Public Accountants LLP and Lixin Certified Tax Agents Co., Ltd, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it. For more information or advice on the above subjects or other tax issues, please contact:

Jesse Wang

Partner, Tax and Advisory

Tel: +86-755-82900993

Mobile: +86-138 0883 9880

WeChat : see the QR code on the right

Email: [jesse.wang@bdo.com.cn](mailto:jesse.wang@bdo.com.cn) | [tax@bdo.com.cn](mailto:tax@bdo.com.cn)



---

BDO China Shu Lun Pan Certified Public Accountants LLP, and Lixin Certified Tax Agents Co., Ltd, a Chinese LLC, are members of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.