



China Tax Newsletter

October 2020

Our tax newsletter for this month covers:

1. Administrative Measures on VAT and Consumption Tax Exemption for Offshore Duty-free Goods Sold by Hainan Offshore Duty-free Stores 1
2. Announcement on Clarification of VAT Policies concerning Transfer of Stocks for Free and Other Issues 2
3. List of Drugs for Anti-Cancer and Cure of Rare Diseases That Are Applicable to VAT Policies 2
4. Pilot Program of Issuance of VAT Special Invoices on Behalf of Members by Road Freight Transport Enterprise with Online Platform..... 3
5. Implementation Opinions on Supporting Private Enterprises to Accelerate Reform, Development and Upgrading 5



1. Administrative Measures on VAT and Consumption Tax Exemption for Offshore Duty-free Goods Sold by Hainan Offshore Duty-free Stores

To regulate the administration of VAT and consumption tax on offshore duty-free goods sold by Hainan offshore duty-free stores, and facilitate the construction of Hainan Free Trade Port, the State Taxation Administration promulgated Administrative Measures on VAT and Consumption Tax Exemption for Offshore Duty-free Goods Sold by Hainan Offshore Duty-free Stores (Announcement of State Taxation Administration [2020] No.16), which will be effective from November 1, 2020. The main content is as follows:

Relevant Items	Main Content
Scope of application	Offshore duty-free stores that are approved by the State (including duty-free stores that are approved by Hainan People's Government pursuant to relevant regulations and have been filed with the relevant ministries and commissions of the State) and qualified for implementing Hainan offshore duty-free policy.
First tax filing	The following documents shall be provided to tax authorities in charge: ① Basic information of business entity of the offshore duty-free store ② Relevant documents of approval of the State for establishment of offshore duty-free store (including stores that are approved by Hainan People's Government pursuant to relevant regulations and have been filed with the relevant ministries and commissions of the State).
Change in basic information	Taxpayers shall report relevant circumstances to tax authorities in charge in tax filing period next month and provide relevant documents.
Period of duty-free qualification expires or the qualification is revoked	Taxpayers shall report relevant circumstances to tax authorities in charge within 15 days after the period expires or the qualification is revoked.
Relevant regulations on tax collection	① Offshore duty-free goods sold by offshore duty-free stores are exempted from VAT and consumption tax. Non-offshore duty-free goods sold by offshore duty-free stores shall be subject to VAT and consumption tax pursuant to the regulations currently in force. ② Where an offshore duty-free store simultaneously engages in other businesses subject to VAT and consumption tax, the taxpayer shall calculate sales of offshore duty-free goods and taxable items respectively; otherwise, tax exemption shall not be allowed.
Relevant regulations on issuance of invoices	VAT general invoices shall be issued for offshore duty-free goods sold by offshore duty-free stores. VAT special invoice shall not be issued.



2. Announcement on Clarification of VAT Policies concerning Transfer of Stocks for Free and Other Issues

The Ministry of Finance and the State Taxation Administration promulgated Announcement on Clarification of VAT Policies concerning Transfer of Stocks for Free and Other Issues (Announcement of Ministry of Finance and State Taxation Administration [2020] No.40). The main content is as follows:

- ① When a taxpayer transfers stocks for free, the party that transfers stocks out shall use bid price of the stocks as ask price and calculate and pay VAT in accordance with “transfer of financial goods”. When the party that receives the stocks transfers the stocks out again, the taxpayer shall use the ask price proposed by the party that originally transfer the stocks out as bid price and calculate and pay VAT in accordance with “transfer of financial goods”.
- ② From August 20, 2019, where financial institutions obtain interest revenue from micro loans with a term of above 1 year (excluding 1 year) but below 5 years (excluding 5 years) disbursed to small enterprises, micro enterprises and individually-owned businesses, the financial institutions may select 1-year or over-5-year loan prime rate released by National Interbank Funding Center authorized by the People’s Bank of China, and apply the VAT exemption policy stipulated in Notice on VAT Exemption Policy concerning Interest Revenue of Financial Institutions from Loans to Small and Micro Enterprises (Cai Shui [2018] No.91) to the interest revenue so derived.
- ③ Where land owners expropriate lands in accordance with law and pay compensation fees for land and related tangible movable property and real property to land users, the behavior falls under the circumstance of return of land use right from land user to land owner stipulated in Provisions on the Transitional Policies concerning the Pilot Scheme on Levying VAT in Place of Business Tax (Cai Shui [2016] No.36).

3. List of Drugs for Anti-Cancer and Cure of Rare Diseases That Are Applicable to VAT Policies

To promote the development of pharmaceutical industry and reduce the cost of medication for patients, the Ministry of Finance, the General Administration of Customs, the State Taxation Administration and the National Medical Products Administration released Announcement on Promulgation of the List of the Second Batch of Drugs for Anti-Cancer and Cure of Rare Diseases That Are Applicable to VAT Policies (Announcement of Ministry of Finance, General Administration of Customs, State Taxation Administration, National Medical Products Administration [2020] No.39).



4. Pilot Program of Issuance of VAT Special Invoices on Behalf of Members by Road Freight Transport Enterprise with Online Platform

To improve the convenience for small-scale taxpayers in freight transport industry to use VAT special invoices, Guangdong Provincial Tax Service of State Taxation Administration promulgated Announcement on Launch of the Pilot Program of Issuance of VAT Special Invoices on Behalf of Members by Road Freight Transport Enterprise with Online Platform (Announcement of Guangdong Provincial Tax Service of State Taxation Administration [2020] No.4), with main content as follows:

Relevant Items	Details
Taxpayers in the pilot program	<ul style="list-style-type: none"> ① Taxpayers shall acquire the Road Transport Business License corresponding to the “freight on online platform” indicated in business scope. ② Taxpayers shall have relevant online service ability required for conduct of business, realizing transparent dynamic management for the entire process including transaction, transport, settlement, etc., allowing display of the transport track of the actual carrier driver and vehicle in real time, and recording real-time transport track data including time and geographical location. ③ Taxpayers shall effectively connect to the monitoring system of online freight transport information established by provincial transportation department in charge and complete data upload in accordance with requirements. ④ Taxpayers shall investigate relevant qualifications of members, ensure that the actual carrier vehicles that provide transport service are equipped with legal and valid operation certificates, and drivers own legal and valid qualification certificates.
Scope of taxpayers that are eligible for issuance of VAT special invoices on their behalf	<ul style="list-style-type: none"> ① Taxpayers that provide road freight transport service in China, which have acquired the Road Transport Business License of China and the Road Transport Certificate of China. Taxpayers engaged in operation of general road freight transport with general cargo vehicle below 4.5 tons are not required to acquire the Road Transport Business License of China and the Road Transport Certificate of China. ② Taxpayers that conduct business under their own names and have completed tax registration (including temporary tax registration). ③ Taxpayers that have not been assessed for VAT special invoices. ④ Taxpayers that are registered with the online platform and become members of the platform.
Issuance of VAT special invoices	<ul style="list-style-type: none"> ① Taxpayers in the pilot program shall sign Agreement on Issuance of VAT Special Invoices on Behalf of Small-scale Taxpayers in Freight Transport Industry with their members. Taxpayers in the pilot program shall keep relevant delegate protocols and relevant



Relevant Items	Details
	<p>documents related to issuance of VAT special invoices on behalf of members for future inspection.</p> <p>② Taxpayers in the pilot program shall use their tax control issuance software for VAT invoices to issue VAT special invoices in accordance with the applicable VAT levying rate, and indicate the name, taxpayer identification number, place of departure, destination of transport, type of vehicle, vehicle number and information of transported cargo in the remarks column of the invoices. If the content is a lot, a list can be attached.</p> <p>③ Where taxpayers in the pilot program issue VAT invoices on behalf of a member, contents in relevant columns shall be consistent with the transportation services contracted to the member through the platform and the logistics information recorded on the platform. Relevant information such as transaction, capital and logistics recorded on the platform shall be stored uniformly for verification.</p> <p>④ Where taxpayers in the pilot program receive freight transport services provided by their members, they shall not issue VAT special invoices on behalf of the members.</p>
Handling of tax-related matters	<p>① VAT and relevant surcharges payable by taxpayers in the pilot program from issuance of VAT special invoices on behalf of members shall be filed and paid monthly by taxpayers in the pilot program on behalf of the members to tax authorities in charge of the taxpayers in the pilot program, and tax payment certificates shall be transferred to the members.</p> <p>② Where taxpayers in the pilot program file VAT of their own, it is not necessary to file the revenues corresponding to the VAT special invoices issued on behalf of members as the revenues do not belong to the taxpayers' VAT taxable revenues.</p> <p>③ Taxpayers in the pilot program shall report to the tax authorities in charge on a monthly basis about the VAT special invoices issued on behalf of members and the taxes withheld and remitted, with detailed contents including number of VAT special invoices issued on behalf of members, code of invoices, invoice numbers, contents, invoiced amount and tax amount, amount of tax withheld and filed on behalf of members, and a register of members that the taxpayers issue invoices on behalf of.</p> <p>④ Members shall, within the taxpaying period assessed by tax authorities in charge, calculate the VAT amount payable in accordance with regulations, and file and pay tax to tax authorities in charge after deducting the amount of VAT withheld by taxpayers in the pilot program.</p> <p>⑤ Taxpayers in the pilot program shall not charge any fee for issuance of VAT special invoices on behalf of members. Otherwise, they shall not be considered as taxpayers in the pilot program.</p>



5. Implementation Opinions on Supporting Private Enterprises to Accelerate Reform, Development and Upgrading

To effectively cope with the impact of the COVID-19 epidemic, stimulate the vitality and creativity of private enterprises, further develop an environment of fair competition for private enterprises, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Human Resources and Social Security and the People's Bank of China promulgated Implementation Opinions on Supporting Private Enterprises to Accelerate Reform, Development and Upgrading (Fa Gai Ti Gai [2020] No.1566), with main content as follows:

- ① Trade union funds of small and micro enterprises for the period from January 1, 2020 to December 31, 2021 shall be fully refunded.
- ② Supportive policy on reduction of electricity prices for enterprises in a phased manner shall be implemented, with the aim to continuously promote the reduction of electricity prices by 5% for enterprises in large-scale industries and enterprises in general industry and commerce, except for high energy consumption industry.



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 | 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.