



# China Tax Newsletter

November 2020

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## 1. Implementation of Relevant VAT Policies in Guangdong-Hong Kong-Macao Greater Bay Area

To support the construction of Guangdong-Hong Kong-Macao Greater Bay Area, the Ministry of Finance, the General Administration of Customs and the State Taxation Administration promulgated the Notice on Implementation of Relevant VAT Policies in Guangdong-Hong Kong-Macao Greater Bay Area (Cai Shui [2020] No.48), with notice on relevant VAT policies as follows:

- ① From October 1, 2020 to December 31, 2023, revenues obtained from international shipping insurance provided by insurance enterprises registered in Guangzhou to enterprises registered in Nansha Free Trade Zone are exempted from VAT.
- ② From October 1, 2020, where qualified export enterprises dispatch and declare for export from the port of dispatch, their containerized goods shipped by qualified transportation enterprises, transited directly by water and departing from Guangzhou Nansha Bonded Port Area or Shenzhen Qianhai Bay Bonded Port Area (hereinafter referred to as port of departure), are applicable to the policy of tax refund at the port of dispatch.

Ports of dispatch applicable to the tax refund policy at the port of dispatch include:

Order	City	Name of Port
1	Guangzhou	Qianxin Port, Old Port, Wuchong Port, Jiali Port, Jisi Port, Dong Jiang Kou Port, Xinsha Port
2	Shenzhen	Yantian Port, Da Chan Bay Port
3	Foshan	Jiujiang Sinotrans Port, Leliu Port, Beijiao Port, Foshan New Port, Sanshui Port, Nanhai International Container Port, Gaoming Zhujiang Freight Port, Rongqi Port, Shunde New Port
4	Zhaoqing	Gaoyao Port, Zhaoqing New Port, Sihui Port, Zhaoqing Sanrong Port, Yunfu New Port, Zhaoqing Port
5	Huizhou	Huizhou Port
6	Dongguan	Humen Port
7	Zhongshan	Zhongshan Port, Zhongshan Outward Transport Port, Xiaolan Port, Zhongshan Shenwan Port
8	Zhuhai	Zhuhai Hongwan Port, Xiyu Port, Gaolan Port, Zhuhai Doumen Port
9	Jiangmen	Jiangmen Gaosha Port, Jiangmen Waihai Port, Tianma Port

## 2. Zero Tariff Policy for Raw Materials and Auxiliary Materials in Hainan Free Trade Port

To fully implement the Overall Plan for Construction of Hainan Free Trade Port, upon the approval of the State Council, the Ministry of Finance, the General Administration of Customs and the State Taxation Administration promulgated the Notice on Zero Tariff Policy for Raw Materials and Auxiliary Materials in Hainan Free Trade Port (Cai Guan Shui [2020] No.42), which clearly specifies that, before the operation of closing Customs in the whole Hainan Island, for enterprises registered in Hainan Free Trade Port and with the qualification of independent legal person, raw materials and auxiliary materials imported for production and self-use, or consumed in production and processing activities under the mode of "raw materials and sales in international



market”, or consumed in service and trade process under the mode of “raw materials and sales in international market” are exempted from import tariff, VAT and consumption tax in the step of import.

Zero-tariff raw materials and auxiliary materials shall be regulated under the list approved by the government. The first batch of zero-tariff raw materials and auxiliary materials includes agricultural products such as coconut, resource products such as coal, chemicals such as xylene, raw and auxiliary materials such as optical fiber preform, and spare parts for repair of airplane, other aircrafts and vessel, with 169 items under 8 taxable items in total. The list shall be adjusted dynamically in accordance with the actual needs and regulatory conditions of Hainan.

### **3. Taxation Regulations for Export Goods Returned due to COVID-19**

For export goods returned due to COVID-19, upon the approval of the State Council, the Ministry of Finance, the General Administration of Customs and the State Taxation Administration promulgated the Announcement on Taxation Regulations for Export Goods Returned due to Force Majeure of COVID-19 (Announcement of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration [2020] No. 41), with main content as follows:

- ① Goods declared for export during the period from January 1, 2020 to December 31, 2020, due to force majeure of COVID-19, re-imported under the original condition within a year from the date of export, are not subject to import tariff, and VAT and consumption tax in the step of import. Where goods have been collected tariff at the time of export, the export tariff shall be refunded.
- ② For goods that are qualified for the above first provision and have already obtained export refund, enterprises shall make a supplementary payment for VAT and consumption tax already refunded (exempted).
- ③ From the date of the promulgation of the Announcement, where enterprises declare for import and apply to the customs for tax exemption for the returned goods qualified for the first provision, they shall first obtain the certificate of supplementary tax payment (or tax not refunded) for the export goods issued by tax authorities in charge.
- ④ From January 1, 2020 to the date of promulgation of the Announcement, the paid import tariff, and VAT and consumption tax paid in the step of import levied on returned goods qualified for the first provision shall be refunded in accordance with the application of enterprises. Among them, those that have not declare the deduction of VAT and consumption tax in the step of import shall obtain in advance the certificate issued by tax authorities in charge that the paid VAT and consumption tax have not been deducted for the returned export goods due to force majeure of COVID-19, and apply to the Customs for the refund of the paid import tariff and VAT and consumption tax paid in the step of import. For those that have declared the deduction of VAT and consumption tax in the step of import, enterprises shall only apply to the Customs for the refund of the paid import tariff. The consignee of import shall complete the tax refund formalities



with the Customs before June 30, 2021.

- ⑤ For goods qualified for the first, the third and the fourth provisions, the consignee of import shall submit written statement for the reason of return and prove that the return is due to force majeure of COVID-19. The Customs shall handle the above formalities for goods as returned goods upon the statement.

#### **4. Social Insurance Premium to be Collected by Tax Authorities**

In accordance with the reform deployment of the State Council, People's Government of Guangdong Province, and People's Government of Shenzhen Municipality on the system of collection of social insurance premium, Shenzhen Municipal Human Resources and Social Security Bureau, Shenzhen Finance Bureau, Shenzhen Tax Service of the State Taxation Administration, and Shenzhen Healthcare Security Bureau jointly promulgated the Announcement on Social Insurance Premium to be Collected by Tax Authorities in Shenzhen Municipality. Social insurance premium in Shenzhen Municipality will be collected uniformly by tax authorities. Main content is as follows:

- ① From November 1, 2020, collection of social insurance premium including basic pension insurance premium, unemployment insurance premium, work-related injury insurance premium, basic medical insurance premium, maternity insurance premium, local supplementary pension insurance premium and local supplementary medical insurance premium will be charged by tax authorities uniformly instead of social security (medical insurance) agency.
- ② After the completion of payment of social insurance premium, payers can refer to the electronic tax bureau and other channels for the payment record and print the tax payment certificate. The social security (medical insurance) agency will no longer provide the payer with the special receipt of social insurance premium.

#### **5. Adjusting the Catalogue of Prohibited Commodities in Processing Trade**

To implement the decision of the State Council and support the stable development of processing trade, the Ministry of Commerce and the General Administration of Customs adjusted the catalogue of prohibited commodities in processing trade and promulgated the Announcement on Adjusting the Catalogue of Prohibited Commodities in Processing Trade (Announcement of the Ministry of Commerce and the General Administration of Customs [2020] No.54), with main content as follows:

Among the products included in the Announcement on Release of the Catalogue of Prohibited Commodities in Processing Trade (Announcement of the Ministry of Commerce and the General Administration of Customs [2014] No.90), those that are qualified for industrial policies of the State, do not fall into the scope of high energy consumption or high pollution and are with relatively higher technical requirements are eliminated from the category, totaling an elimination of 199 commodities with 10-digit commodity code. Meanwhile, the prohibition ways for some commodities are adjusted.



The adjusted catalogue of prohibited commodities in processing trade shall still be implemented in accordance with relevant provisions in the Announcement on Adjusting the Catalogue of Prohibited Commodities in Processing Trade (Announcement of the Ministry of Commerce and the General Administration of Customs [2014] No.90).

The policy is effective from December 1, 2020.



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