Guidelines for the preferential tax policies for supporting the poverty-relief battle

Synopsis

In order to support the poverty-relief, the State Taxation Administration (STA) released the “Guidelines for the preferential tax policies for supporting poverty-relief battle” (hereinafter referred to as the “Guidelines”) on 14 August 2019. 110 preferential tax policies for supporting poverty-relief battle from six aspects are summarized in the Guidelines, with key policies including:

Support infrastructure construction in poor areas

Income derived from public infrastructure projects supported by the state are entitled to a three-year Corporate Income Tax (CIT) exemption followed by a three-year 50% reduction in the statutory CIT rate starting from the year in which the first operating income is generated.
Lands for water conservancy facilities are exempt from Urban Land Use Tax.

Income derived from investments and operations in new drinking water projects are entitled to a three-year CIT exemption followed by a three-year 50% reduction in the statutory CIT rate starting from the year in which the first operating income is generated.

Promote the development of agriculture-related industries

- Transfers of land use rights to agricultural producers for agricultural production are exempt from Value-added Tax (VAT).
- Self-produced agricultural products sold by agricultural producers are exempt from VAT.
- Sales of livestock and poultry through the model of “Company plus Farmer” are exempt from VAT.
- Input VAT can be credited from purchasing VAT exempted self-produced agricultural products sold by agricultural producers.

Stimulate the entrepreneurship and employment in poor areas

- Small-scale VAT taxpayers are exempt from VAT within a specific sales threshold.
- Small and low-profit enterprises are entitled to a CIT reduction.
- Entrepreneurship of a disabled is exempt from VAT.

Promote the development of inclusive finance

- Interest income from small loans to rural households by financial institutions is exempt from VAT.
- Interest income from small loans to rural households by financial institutions can enjoy CIT reduction.

Promote developments of autonomous regions and remote areas

- Encouraged industries in western regions are entitled to preferential CIT treatments.
- Individuals under the “Poverty-relief Relocation” scheme are exempt from Individual Income Tax.

Encourage the public to increase donations for poverty alleviation

- Public welfare donations through non-profit social organizations or government departments are deductible for CIT purposes.
- Eligible donations-in-kind for poverty alleviation are exempt from VAT.

Relevant taxpayers are encouraged to read the Guidelines carefully for more details of various preferential tax policies to fully enjoy the applicable benefits. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of the Guidelines:
http://www.chinatax.gov.cn/n810219/n810744/n3439465/index.html%20

Public notice (PN) regarding the launch of the pilot program on allowing qualified enterprises to be registered as general VAT taxpayers in comprehensive bonded areas (STA/MOF/GAC PN [2019] No. 29)

Synopsis

To improve the high-quality development of comprehensive bonded areas, on 8 August 2019, the STA, Ministry of Finance (MOF) and General Administration of Customs (GAC) joint released STA/MOF/GAC PN [2019] No. 29 (“PN 29”) to launch the pilot program on allowing qualified enterprises to be registered as general VAT taxpayers in comprehensive bonded areas. PN 29 shall become effective from 8 August 2019.
The key points of PN 29 are as follows:

Record filing system

Qualified comprehensive bonded areas shall complete record filings with the STA, MOF and GAC before launching the pilot program of general VAT taxpayers in the comprehensive bonded areas. Qualified pilot enterprises that are located in comprehensive bonded areas may volunteer to register as general VAT taxpayers.

Special VAT invoices

Where goods are sold to domestic market (including goods sold to other pilot enterprises), the pilot enterprises may issue special VAT invoices for the transaction accordingly. Pilot enterprises may obtain special VAT invoices for purchasing goods from domestic areas outside the customs supervision zones (hereinafter referred to as the “domestic areas”). Goods purchased by pilot enterprises from domestic areas by way of processing trade shall refer to the prevailing tax policies.

Imported goods

Goods imported by pilot enterprises shall continue to apply the policies for bonded goods. For the bonded goods sold to domestic areas, pilot enterprises should declare import-level Customs Duty (CD), VAT and Consumption Tax (CT) to the supervising Customs and pay the relevant interest. Goods purchased by pilot enterprises from non-pilot enterprises located in pilot areas shall apply the policies for imported goods.

Exported goods

Pilot enterprises that export goods are eligible for export tax refunds after the goods are physically exported. Pilot enterprises selling goods to non-pilot enterprises that are located in pilot areas are deemed as exports and thus eligible for export tax refunds.

Importation of self-used equipment

Self-used equipment (including machinery, infrastructure and office supplies) imported by pilot enterprises is temporarily exempt from CD, import-level VAT and CT (hereinafter referred to as “import-level taxes”). The temporarily-exempt import-level taxes shall be evenly allocated to each year under the customs supervision period. The portion of the exempted import-level taxes allocated to that year shall be paid based on the ratio of domestic sales against the total revenue of the year.

Relevant taxpayers may study PN 29 to assess benefits the pilot program may bring and consider applying for the general VAT taxpayer status. If in doubt, consultations with professionals are always helpful.

You can click this link to access the full content of PN 29: http://www.gov.cn/xinwen/2019-08/17/content_5421877.htm

Business circulars

► Opinions on promoting the development of regional headquarters of multinational corporations in Shanghai (Hufugui [2019] No. 30)

► Regulations on Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai (Revised) (Hufugui [2019] No. 31)

Synopsis

To further expand the opening-up and improve the utilization of foreign capital, the Shanghai Municipal People’s Government issued the “Opinions on promoting the development of regional headquarters of multinational corporations in Shanghai” (hereinafter referred to as the “Opinions”) via Hufugui [2019] No. 30 on 25 July 2019.
The Opinions consist of 30 items covering the following six aspects:

► Relax the standards of headquarters and headquarter institutions of multinational corporations
► Facilitate investments of multinational corporations
► Improve capital liberalization and facilitation for multinational corporations
► Improve trade and logistics facilitation for multinational corporations
► Improve research and development facilitation for multinational corporations
► Enhance supporting measures

At the same time, to facilitate implementation of the Foreign Investment Law of the People’s Republic of China (hereinafter referred to as the “Foreign Investment Law”) and other relevant laws and regulations, the Shanghai Municipal People’s Government issued the revised “Regulations on Encouraging Multinational Corporations to Establish Regional Headquarters in Shanghai” (hereinafter referred to as the “Regulations”) via Hufugui [2019] No. 31 to encourage multinational corporations to establish regional headquarters and headquarter institutions in Shanghai.

According to the revised Regulations, the criteria for regional headquarters and headquarter institutions (collectively “RHQ”) to be recognized are relaxed (e.g., registered capital of the parent company and number of enterprises under management of RHQs are no longer restricted; requirements of total assets of the parent company are reduced) and policy supports are brought by the Regulations for optimizing the capital operation and management, entry and exit, talent introduction, trade facilitation etc. for RHQs.

The Opinions and Regulations shall become effective on 1 September 2019 and shall be valid until 31 August 2024. Investors from Hong Kong, Macao and Taiwan who establish RHQs in Shanghai shall follow the Regulations.

Relevant corporations are encouraged to read the Opinions and the Regulations for more details to consider if they are relevant to their development.

We have issued a WeChat news article to discuss the Opinions and the Regulations in greater detail. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and click on “view history” to access the full contents of the article.

You can click this link to access the full content of the Opinions:
http://www.shanghai.gov.cn/nw2/nw2314/nw2319/nw12344/u26aw61406.html

You can click this link to access the full content of the Regulations:
http://www.shanghai.gov.cn/nw2/nw2314/nw2319/nw12344/u26aw61407.html

You can click this link to access the full content of the Foreign Investment Law:

► Certain measures on a new round of opening up the service industry in Shanghai

Synopsis

To further ease the market access and expand scope of opening up the service industry, on 13 August 2019, the Shanghai Municipal People’s Government and Shanghai Municipal Committee of the Communist Party of China jointly released certain measures to launch a new round of opening up the service industry in Shanghai (hereinafter referred to as the “Measures”).
The Measures consist of 40 items in total, which mainly cover seven aspects as follows:

► Further relax restrictions on foreign investments in the service industry - The Measures remove the quantitative requirement on enterprises established in China by foreign investors and lower the capital requirement for foreign investors for establishment of investment companies in Shanghai, and advance the trials in the fields of healthcare, culture and entertainment. Meanwhile, it is emphasized that unified treatments shall be applied to both domestic and foreign enterprises.

► Opening-up of high-quality cross-border service trade - The Measures encourage exit and entry duty-free stores at cruise ports to expand their business scale for promoting the cruise economy. Besides, the support to tourists’ VAT refunds shall be enhanced and the scope of applicable items shall be further expanded. Moreover, requirements on qualified tax agencies for the VAT refund scheme shall be relaxed.

► Promote the construction of the international trade center - Customs clearance shall be further simplified for cross-border e-commerce retail and trade in comprehensive experimental zones.

► Build Shanghai into a science and technology innovation center – Digital-based transformation and upgrading, accelerating development of trade in digital services, etc.

► Strengthen the ability of global resources allocation in the modern shipping services

► Accelerate the construction of the international financial center - Promote a higher level of opening-up of the financial services industry.

► Improve the mechanism of international communication and cooperation - Several measures are proposed to relax the restrictions and attract foreign professional talents to Shanghai.

The Measures will further improve the local business environment and the competitiveness in participating in international cooperation. Relevant enterprises are encouraged to read the Measures for more details. It is expected that more specific circulars may be released soon. We will keep an eye on any further development, so please stay tuned.

You can click this link to access the full content of the Measures: http://www.shanghai.gov.cn/nw2/nw2314/nw2319/nw12344/u26aw61405.html

Other tax, business and customs related circulars publicly announced by central government authorities in the past week:

► Decision on abolishing the “Measures on the Collection and Administration of Vehicle Purchase Tax” (STA Order [2019] No. 47)
  http://sme.miit.gov.cn/cms/news/100003/0000000700/2019/8/19/a9f4e6c1322144f98f69a039b78b87e8.shtml

► Notice regarding the “Certain Policy Measures for Supporting and Accelerating the Innovative Development of Technology-based Small and Medium-sized Enterprises (TSMEs) in the New Era” (Guokefaqu [2019] No. 268)

► Implementation plan on supporting the innovative mechanism for talent development in Hainan
  http://www.sanya.gov.cn/sanyasite/jrtt/201908/084f542d896b44a58f11b601e41211e8.shtml
► Notice regarding the plan of dividing key tasks for simplifying administrative procedures and optimizing business environment nationwide (Guobanfa [2019] No. 39)
http://www.gov.cn/zhengce/content/2019-08/12/content_5420694.htm

► PN regarding the public opinion consultation on the “List of Certification Items Required by Regulatory Documents of the National Development and Reform Commission (Discussion Draft)”
http://www.ndrc.gov.cn/yjzq/201810/t20181029_917430.html

► Notice regarding certain matters related to accrediting British accounting firms to engage in the audit business relating to Chinese depository receipts under the stock connect scheme between Shanghai Stock Exchange and London Stock Exchange (Caikuai [2019] No. 11)
http://kjs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190814_3364039.html

► PN regarding the commencement of random inspections on the import/export commodities that are not subject to statutory inspection (GAC PN [2019] No. 132)

► PN regarding the regulatory matters related to the “International Through Check-in” (GAC PN [2019] No. 133)
http://www.gov.cn/xinwen/2019-08/14/content_5421104.htm
Contact us
For more information, please contact your usual EY contact or one of the following EY’s China tax leaders.

Our tax leaders by market segment and service areas

Martin Ngai (China North)
+86 10 5815 3231
martin.ngai@cn.ey.com

David Chan (Hong Kong SAR/Macau SAR)
+852 2629 3228
david.chan@hk.ey.com

Patricia Xia (China Central)
+86 21 2228 2878
patricia.xia@cn.ey.com

Heidi Liu (Taiwan)
+886 2275 78888
heidi.liu@tw.ey.com

Clement Yuen (China South)
+86 755 2502 8280
clement.yuen@cn.ey.com

Martin Ngai (China North)
+86 10 5815 3231
martin.ngai@cn.ey.com

Heidi Liu (Taiwan)
+886 2275 78888
heidi.liu@tw.ey.com

Carrie Tang
Business Tax Services
+86 21 2228 2116
carrie.tang@cn.ey.com

Vickie Tan
Global Compliance and Reporting
+86 21 2228 2648
vickie.tan@cn.ey.com

Travis Qiu
ITTS - Transfer Pricing
+86 21 2228 2941
travis.qiu@cn.ey.com

Kenneth Leung
Indirect Tax
+86 10 5815 3808
kenneth.leung@cn.ey.com

Paul Wen
People Advisory Services
+852 2629 3876
paul.wen@hk.ey.com

Becky Lai
Tax Policy
+852 2629 3188
becky.lai@hk.ey.com

Jesse Lv
ITTS - Transaction Tax
+86 21 2228 2798
jesse.lv@cn.ey.com

Vickie Tan
Global Compliance and Reporting
+86 21 2228 2648
vickie.tan@cn.ey.com

Becky Lai
Tax Policy
+852 2629 3188
becky.lai@hk.ey.com

Patricia Xia
Tax Technology and Transformation
+86 21 2228 2878
patricia.xia@cn.ey.com

Greater China Tax Leader
Henry Chan
+86 10 5815 3397
henry.chan@cn.ey.com

Author – China Tax Center
Jane Hui
+852 2629 3836
jane.hui@hk.ey.com
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