

China Tax Center China Tax & Investment Express

*China Tax & Investment Express (CTIE)** brings you the latest tax and business announcements on a weekly basis. We selected some comparatively key announcements to provide for a synopsis and we also provide a link that leads you to the full content of each latest announcement (in Chinese). Please feel free to contact your EY client service professionals for further assistance if you find the announcements have an impact on your business operations.

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Tax circulars

► Report on the Implementation of China's Fiscal Policies in 2020

Synopsis

The growth of China's gross domestic product (GDP) amounted to 2.3% in 2020 due to the impact of COVID-19 epidemic, making China the only major economy in the world to achieve positive economic growth last year, which is attributed to the fact that the Chinese government issued quite a few fiscal and tax policies in response to the outbreak of COVID-19. These policies provided strong support for the smooth economic and social development and achieved remarkable results. On 6 March 2021, the Ministry of Finance (MOF) issued the "Report on the Implementation of China's Fiscal Policies in 2020" (hereinafter referred to as the "Report") to summarize the implementation of the fiscal policies in 2020.

Key features of the Report are as follows:

More proactive fiscal policies to effectively offset the downward pressure on the economy

- ▶ The deficit ratio increased from 2.8% to more than 3.6% and financial macro-control was further enhanced.
- ▶ Government investment was expanded to stabilize the economic fundamentals.
- ▶ Incremental tax and fee reductions of more than RMB 2.6 trillion in 2020 effectively provided support to enterprises.

Overall implementation of the budget was good in spite the fiscal operations were impacted by the epidemic

- ▶ The decline of fiscal revenue gradually shrank, a decline of 3.9% on a year-to-year basis.
- ▶ Raised funds in multiple ways and stabilized the total government expenditures.
- ▶ Adjusted and optimized the structure of expenditures and ensured the expenditures in key areas.

Fully implemented the guarantee tasks and effectively ensured the overall economic development and social stability

- ▶ Ensured the stability of employment as priority, stabilized and promoted residents' employment.
- ▶ Ensured people's livelihood and steadily improved the basic level of people's livelihood.
- ▶ Protected market entities and effectively stimulate market vitality with multiple measures, including:
 - ▶ From 15 April 2020 to 31 December 2020, interest charged for deferred tax payments for domestic sales of processing trade enterprises was temporarily exempted.
 - ▶ From 15 April 2020, the trial of selective tariff policy for domestic sales were expanded to all comprehensive bonded areas.
 - ▶ Flexibly adjusted tariff policies, improved tariff exclusion system, eased the impact of China-US economic and trade friction on enterprises and stabilized bilateral economic and trade relations.
- ▶ Promoted the optimization and upgrading of industrial supply chains and further improved the quality and efficiency of economy.

Innovated to establish a mechanism for direct allocation of fiscal funds to cities and counties to directly benefit enterprises and individuals

- ▶ Direct allocations of funds were implemented well.
- ▶ Supervision is normalized to significantly regulate the use of funds.
- ▶ Direct allocations effectively benefited local governments and market entities.

Deepened reform, strengthened administration and steadily improved the level of financial governance

Further deepened the tax system reform, implemented the principle of statutory taxation, promoted the smooth introduction of the Deed Tax (DT) Law and City Construction Tax (CCT) Law, and accelerated the legislation on Land Appreciation Tax (LAT), Value-added Tax (VAT), Consumption Tax (CT), tariff, etc. For the time being, 11 out of the 18 types of tax have been enacted by the National People's Congress and its standing committee, while the other tax laws led by the MOF have been drafted and submitted to the State Council. In addition, targeted preferential tax policies have been issued in the nine cities of the Pearl River Delta, Hainan Free Trade Port, Beijing Zhongguancun and Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone.

Outlook of fiscal policies in 2021

In 2021, the government is expected to further strengthen the support and guidance of fiscal and tax policies, promote innovation and industrial upgrading, improve the quality and efficiency of economy and core competitiveness, and keep economic operations within a reasonable range. In addition, the government may also further improve the modern tax system, optimize local tax and direct tax systems, promote the CT reform of "Moving Backward Tax Payment Stage", and study the improvement of the Individual Income Tax (IIT) system that combines the comprehensive and classified methods.

Enterprises and individuals are encouraged to make reference to the Report for greater details.

You can click this link to access the full content of the Report:

http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/202103/t20210305_3666406.htm

► **Notice regarding enhancing trans-provincial government services related to the collection and administration of non-tax revenues (Caiku [2021] No. 12)**

Synopsis

To facilitate the trans-provincial payment of non-tax revenues, on 19 February 2021, the MOF, Ministry of Human Resources and Social Security, Ministry of Natural Resources jointly released Caiku [2021] No. 12 ("Circular 12"), clarifying matters related to the trans-provincial government services for the collection and administration of non-tax revenues.

According to Circular 12, the local financial departments shall rationalize the process for the payment and collection of non-tax revenue, complete the list of charges for trans-provincial government service items for non-tax revenues and not charge any additional fees when collecting the non-tax revenues. Circular 12 also stipulated three ways to promote the payment model of non-tax revenue, i.e., improve the "one-stop" online payment system, promote the offline channel for trans-provincial payment and enhance the payment function of the special window for trans-provincial service.

Relevant parties are encouraged to read the Circular 12 for further details.

You can click this link to access the full content of Circular 12:

http://gks.mof.gov.cn/gongzuodongtai/202103/t20210305_3666240.htm

Business circular

► **Public notice (PN) regarding public opinion consultation on the "Notice Regarding Comprehensively Standardizing the Registration of Business Scope of Enterprises (Discussion Draft)"**

Synopsis

On 9 March 2021, the State Administration for Market Regulation (SAMR) announced the "Notice Regarding Comprehensively Standardizing the Registration of Business Scope of Enterprises (Discussion Draft)" (hereinafter referred to as the "Discussion Draft") on its official website to seek public opinion. The consultation of public opinion will be opened until 31 March 2021.

By stipulating the Discussion Draft, the SAMR aims to unify the standards for the registration of business scope of enterprises in various localities, and provide more standard and convenient business registration services to enterprises, etc. Among these, the following contents proposed in the Discussion Draft are worth noting:

- It is generally understood that the business scope of an enterprise should be properly registered with the relevant authorities to reflect the main business operation of an enterprise. On this basis, the Discussion Draft proposed that the business scope of an enterprise should not be interpreted as a limitation to the actual business operations or capacities of the enterprise. However, the Discussion Draft is silent on any detailed interpretation in this regard.

- ▶ The SMAR shall explore the reform of the registration of business scope for branches, i.e., the business scope of branches shall not be limited to the business scope of their head offices and the relevant civil responsibilities of the branches shall still be borne by the enterprises.

Concerned investors and enterprises are encouraged to read the Discussion Draft and express opinions on or before 31 March 2020 by emailing to djjxck@samr.gov.cn, logging onto <http://www.samr.gov.cn> or sending mails to the SAMR.

You can click this link to access the full content of the Discussion Draft:

http://www.samr.gov.cn/hd/zjdc/202103/t20210309_326624.html

Customs circular

- ▶ **Notice regarding public opinion consultation on the “Administrative Measures of the Customs of the People’s Republic of China (PRC) for Approved Exporters (Discussion Draft)”**

Synopsis

To get prepared for the implementation of the Regional Comprehensive Economic Partnership (i.e., the RCEP), on 4 March 2021, the General Administration of Customs (GAC) announced the “Administrative Measures of the Customs of the PRC for Approved Exporters (Discussion Draft)” (hereinafter referred to as the “Draft Administrative Measures”) on its official website to seek public opinion. The consultation of public opinion shall be opened until 5 April 2021.

Upon obtaining the approved exporter status, an exporter shall be able to issue origin declaration by themselves for the goods exported or produced by the exporter that meet the requirements of origin qualification as prescribed in the Preferential Trade Agreements that the PRC has entered into. The Draft Administrative Measures provide the requirements and processes for the recognition of approved exporters, as well as the rights and obligations of approved exporters, etc. Once the status of approved exporters is granted, it shall be valid for three years.

Concerned businesses are encouraged to read the Draft Administrative Measures and express opinions on or before 5 April 2021 by sending emails to liu_xiang@customs.gov.cn, logging onto <http://www.customs.gov.cn>, or mailing to the GAC.

You can click this link to access the full content of the Draft Administrative Measures:

<http://www.customs.gov.cn/customs/302452/302329/zjz/3563920/index.html>

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

- ▶ **Notice regarding the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (24th Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (40th Batch)” (MIIT PN [2021] No. 7)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/qg/art/2021/art_46c42489a9ff4a72a99918eead556176.html
- ▶ **Notice regarding the “Annual Guidelines for Promoting the High-quality Development of Intellectual Property Rights (2021)” (Guozhifayunzi [2021] No. 3)**
http://www.gov.cn/zhengce/zhengceku/2021-03/06/content_5590909.htm
- ▶ **Notice regarding the “Work Plan for the Nationwide Administrative Protection of Intellectual Property in 2021” (Guozhifabaohanzi [2021] No. 29)**
http://www.gov.cn/zhengce/zhengceku/2021-03/06/content_5590908.htm

- ▶ **Opinions on further regulating the work of the People's Court in freezing pledged stocks of listed companies (Fafa [2021] No. 9)**
<http://www.court.gov.cn/fabu-xiangqing-289331.html>
- ▶ **Notice regarding expanding the pilot scheme on delegating approval authority for the qualification of construction engineering enterprises (Jianbanshihan [2021] No. 93)**
http://www.mohurd.gov.cn/wjfb/202103/t20210305_249354.html
- ▶ **Report on the execution of the central and local budgets for 2020 and on the draft central and local budgets for 2021**
http://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/202103/t20210306_3666607.htm
- ▶ **Notice regarding enhancing financial support for promoting the healthy and orderly development of wind and photovoltaic power industries (Fagaiyunxing [2021] No. 266)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz//202103/t20210312_1269410.html



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