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Tax circulars

- The State Council executive meeting to deploy measures to promote the reduction of corporate financing costs and personal consumption credit costs, increase financial support for real economy, etc.

Synopsis

On 18 August 2022, Premier Li Keqiang chaired the State Council's executive meeting (hereinafter referred to as "the meeting") and announced a few decisions regarding measures to promote the reduction of corporate financing costs and personal consumption credit costs, increase financial support for real economy, etc.

The following tax-related measures are noteworthy:

- Taxpayers engaging in elderly care and childcare services shall be eligible to a refund of their accumulated input Value-added Tax (VAT) credits (存量留抵税额) brought forward from previous periods (hereinafter referred to as "input VAT credits") in a lump sum and a refund of incremental input VAT credits (增量留抵税额) on a monthly basis.

- The reduction and exemption policies of “six taxes and two fees” (i.e., Payments for Resource Tax, City Construction Tax, Real Estate Tax, Urban Land Use Tax, Stamp Duty (excluding those for security trading), Farmland Occupation Tax, Education surcharge and Local Education surcharge) shall be implemented at maximum range.
- The Vehicle Purchase Tax (VPT) exemption for new energy vehicles as prescribed in MOF/STA/MIIT Public Notice (PN) [2020] No. 21 (“PN 21”, i.e., PN regarding certain policies related to VPT exemption for new energy vehicles) which will become invalid after 31 December 2022 shall be further extended to the end of 2023.
- The Vessel and Vehicle Tax and Consumption Tax Exemption for new energy vehicles shall be continued.

As the usual practice, the respective government authorities, such as the Ministry of Finance (MOF) and State Taxation Administration (STA), shall further promulgate specific circulars in the respective regards to respond to the meeting. We will keep an eye on any further developments and update you accordingly. Please stay tuned.

You can click this link to access the official news of the meeting:

http://www.gov.cn/premier/2022-08/19/content_5706108.htm

You can click this link to access the full content of PN 21:

http://szs.mof.gov.cn/zhengefalu/202004/t20200417_3500222.htm

- ▶ PN regarding on-site inspection of the STA on key tasks
- ▶ Notice regarding public opinion consultation on the implementation of tax refund and tax/fee reduction policies in 2022

Synopsis

To further promote the implementation of major decisions, policies and measures deployed by the Central Committee of the Communist Party of China and the State Council, on 14 August 2020, the STA released a PN regarding on-site inspection of the STA on key tasks (hereinafter referred to as “STA PN”) to launch the second batch of key tasks inspection from 14 August to 19 August 2022. It is to carry out on-site inspection on district/municipal level tax authorities of six provinces, including Heilongjiang, Jiangsu, Zhejiang, Hunan, Yunnan and Shaanxi provinces.

Among these, the inspection shall cover the following tax-related issues:

- The implementation status of large-scale refund of input VAT credits.
- The implementation status of tax reduction and tax deferral policies, e.g., deferral of tax payments for the medium, small and micro-sized enterprises engaging in manufacturing sector.
- The status of acceleration of export tax refund policy to support foreign trade exports, etc.

Besides, it is also worthy to note that the STA released another Notice on 12 August 2022, i.e., the Notice regarding public opinion consultation on the implementation of tax refund and tax/fee reduction policies in 2022 (hereinafter referred to as the “Notice”) to seek public comments on the implementation status. The consultation of public opinion shall be opened until 31 August 2022.

Concerned taxpayers are encouraged to express opinions on or before 31 August 2022 by calling the hotline of 12366 or logging onto <http://hd.chinatax.gov.cn/jzxx/jsjfyj.html>.

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

http://www.szzj.gov.cn/art/2022/8/15/art_1530087_59036866.html

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

<http://www.chinatax.gov.cn/chinatax/n810214/n810606/c5179031/content.html>

► PN regarding the tax policies on legal aid subsidies (MOF/STA PN [2022] No. 25)

Synopsis

According to the Legal Aid Law of the People's Republic of China (hereinafter referred to as the "Law"), the MOF and STA jointly released MOF/STA PN [2022] No. 25 ("PN 25") on 5 August 2022 to specify the following tax policies:

- Legal aid subsidies received by individuals carrying out legal aid activities¹ are exempt from VAT and Individual Income Tax (IIT).
- Where legal aid organizations² pay legal aid subsidies to individuals carrying out legal aid activities, the organizations should file IIT exemption for such individuals.
- Departments of judicial administration and tax authorities shall set up a joint information sharing mechanism to exchange the tax related information of individuals carrying out legal aid activities before the annual IIT filing of each year.

PN 25 took retroactive effect on 1 January 2022. In this regard, VAT and IIT paid should be refunded or offset against future tax payables as follows:

- Any VAT paid that should be exempt according to PN 25 may be refunded or used to offset VAT payable of such taxpayers in the future.
- The withholding agent should apply for refund of any IIT paid that should be exempt according to PN 25.

¹ According to the Law, personnel engaging in legal education/research and students major in legal studies in colleges and universities may engage in legal aid activities, e.g., legal consultation, preparation of legal documents, etc. under the supervision of the Departments of Judicial Administration.

² According to the Law, legal aid organizations refer to the legal aid agencies established by the Departments of Judicial Administration at the county level or above, or organizations for a particular interest group, e.g., the union, women's federations, etc.

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

<http://www.npc.gov.cn/npc/c30834/202108/e313d912b03b420d9e9e22b5565d3b9c.shtml>

You can click this link to access the full content of PN 25:

http://www.gov.cn/zhengce/zhengceku/2022-08/22/content_5706398.htm

Business circular

► Opinions on further regulating the formulation and administration of the standards of administrative discretion (Guobanfa [2022] No. 27)

Synopsis

To ensure the effective implementation of laws, regulations and rules, and refine and quantify the standards of administrative discretion, the General Office of the State Council issued Guobanfa [2022] No. 27 ("Circular 27") on 29 July 2022, announcing some opinions on further regulating the formulation and administration of the standards of administrative discretion.

According to Circular 27, certain matters related to the basic principles, objectives and key measures for regulating the standards of administrative discretion are clarified. Some key points are as follows:

Basic principles

The standards of administrative discretion should be based on the legal system, fairness and reasonableness, and the efficiency and convenience of the public.

Objectives

By the end of 2023, the system of administrative discretion standards will be generally established with the aim to achieve institutionalized administrative discretion standards, standardized behavior and scientific management.

Key measures

- Promote proper administrative discretion.
- Promote the convenience and efficiency of administrative licensing.
- Promote the fairness and reasonableness of administrative expropriation.
- Standardize the activities of administrative confirmation, payment, compulsion and inspection.
- Effectively improve administrative efficiency, avoid abuse of administrative discretion, and provide convenience to market entities and the public.

Supervision and administration

All local administrations should establish a dynamic adjustment mechanism for the standards of administrative discretion and a record-filing and review mechanism, and promote the normalization, standardization and informatization of administrative law enforcement and discretion by making full use of technologies, e.g., artificial intelligence, big data, cloud computing, blockchain, etc.

Interested parties are advised to read Circular 27 for more details.

You can click this link to access the full content of Circular 27:

http://www.gov.cn/zhengce/content/2022-08/17/content_5705729.htm

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

- ▶ PN regarding the redistribution of import tariff quota of agricultural products (NDRC/MOFCOM [2022] No. 7)
https://gbdy.ndrc.gov.cn/gbdyzcjd/202208/t20220812_1332916.html
- ▶ Action Plan on Improving the Technology Innovation Capacity of Enterprises (2022-2023) (Guokefaqu [2022] No. 220)
http://www.gov.cn/zhengce/zhengceku/2022-08/15/content_5705464.htm
- ▶ Notice regarding the pilot fiscal support for digital transformation of medium and small-sized enterprises (Gongxintinglianqiye [2022] No. 22)
https://www.miit.gov.cn/zwgk/zcwl/wjfb/art/2022/art_e85fcdf081964eb18d21cc613e5633c.html
- ▶ Implementation Plan of Technology Support for Achieving Carbon Peak and Carbon Neutrality (2022-2030) (Guokefashe [2022] No. 157)
https://www.ncsti.gov.cn/zcfg/zcwl/202208/t20220818_94202.html
- ▶ Notice regarding adjustments to the information items on the business license (Shijianzhufa [2022] No. 71)
<http://www.cdwh.gov.cn/wuhou/c125325/2022-08/17/e461b8fc9a324416b0e5a6307d11884a/files/fa096d9b0b9e443db734b7999ccb6a3a.pdf>
- ▶ Implementation opinions on accelerating the development of the cruise and yacht industry (Gongxinbulianzhongzhuang [2022] No. 101)
https://www.miit.gov.cn/zwgk/zcwl/wjfb/yj/art/2022/art_2d585dc807f8472d969e940b1bb978d8.html

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