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# 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.

CTIE does not replace our *China Tax & Investment News\** which will continue to be prepared and distributed to provide more in-depth analyses of topical tax and business developments in China.

\*If you wish to access the previous issues of *CTIE* and *China Tax & Investment News*, please contact us.

## Tax circular

- The Ministry of Finance's reply on proposals made at the third session of the 13th National Committee of the Chinese People's Political Consultative Conference which revealed the next wave of tax reform (Caiyuhan [2020] No. 155)

### Synopsis

On 28 September 2020, the Ministry of Finance (MOF) officially replied on proposals made at the third session of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC) which revealed the next wave of tax reform (hereinafter referred to as the "MOF's Reply").

Key features of the MOF's Reply are as follows:

- Consumption Tax (CT)

The MOF is working on the reform of CT to shift its collection on certain products from manufacturing/importation process to wholesale or retail process by evaluating the feasibilities on each taxable item. Accordingly, the MOF would also work on the allocation of CT revenue between the central and local governments.

► Value-added Tax (VAT)

On the basis of 50/50 allocation of VAT revenue between the central government and local governments, the MOF would further improve the central/local sharing mechanism for refund of input VAT credits brought forward.

► Resource Tax (RT) and Environmental Protection Tax (EPT)

Local governments are empowered to adjust the RT and EPT rates according to local practicing environment.

Although the intention of this Reply is to respond to the proposals made in the third session of the 13th CPPCC, it has revealed certain key moves of the MOF regarding the coming tax reform related to CT, VAT as well as possible adjustments of local RT and EPT rates. We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the full content of the MOF's Reply:

<http://www.chinatax.gov.cn/chinatax/n810214/n2015391/c5157551/content.html>

## Business circulars

- Public notice (PN) issued by the Human Resources and Social Security Bureau of Beijing, Finance Bureau of Beijing, Beijing Municipal Tax Service, State Taxation Administration and Beijing Medical Insurance Bureau regarding tax authorities to collect enterprises' social security contributions (Jingrenshefa [2020] No. 18)
- PN issued by the Human Resources and Social Security Bureau of Shanghai, Finance Bureau of Shanghai, Shanghai Municipal Tax Service, State Taxation Administration and Shanghai Medical Insurance Bureau regarding tax authorities to collect enterprises' social security contributions
- PN issued by the Human Resources and Social Security Bureau of Shenzhen, Finance Bureau of Shenzhen, Shenzhen Municipal Tax Service, State Taxation Administration and Shenzhen Medical Insurance Bureau regarding tax authorities to collect enterprises' social security contributions

## Synopsis

In respect of the State Council's Executive Meeting on 6 September 2018, the government authorities have released a series of circulars regarding arrangements for transferring the collection and administration responsibilities of social security contributions to tax authorities from 1 January 2019. However, the transfer was put on hold by certain local governments due to concerns raised by enterprises as well as the economic challenge brought from the COVID-19.

Recently, certain local government authorities, including Beijing, Shanghai and Shenzhen have announced that the responsibilities of the collecting social insurance contributions shall be officially shifted to tax authorities from 1 November 2020.

It is generally understood that the collection of social insurance contributions shall be tightened by the tax authorities as inadequate social insurance contributions made by enterprises on behalves of their employees shall be easier to tracked down with the use of the Golden Tax III tax control system. Hence, it is important for enterprises to be aware of the potential risks of incompliance in this regard.

Besides the above three, there are many locations also issue their own rules and gradually bring in the same practice from November.

Human resources (HR) personnel of the enterprises should also pay attention to the arrangements announced by the local authorities and act on the new changes. If in doubt, consultations with professionals are always recommended. Our People Advisory Services team has issued a WeChat news article (in Chinese) on 4 November to discuss the same topic 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 search key words to access the full contents of the article.

You can click this link to access the full content of the PNs issued in Beijing, Shanghai and Shenzhen:  
<http://beijing.chinatax.gov.cn/bjswj/c104182/202010/77b2f7a342184b22a188b84fbc86c3a3.shtml>

[http://rsj.sh.gov.cn/tgsgg\\_17341/20201030/t0035\\_1395230.html](http://rsj.sh.gov.cn/tgsgg_17341/20201030/t0035_1395230.html)

<https://shenzhen.chinatax.gov.cn/sztax/xxgk/tzgg/202010/6031c7f804294a019a9539612dc6fabc.shtml>

- ▶ The Administrative Review Procedure of the State Administration of Foreign Exchange (Revised in 2020) (SAFE PN [2020] No. 2)

#### Synopsis

The State Administration of Foreign Exchange (SAFE) recently revised the Administrative Review Procedure of the SAFE (hereinafter referred to as the "Administrative Review Procedure") and released via SAFE PN [2020] No. 2 (hereinafter referred to as "PN 2") to prevent and correct illegal or improper administrative acts in the process of foreign exchange administration, and protect the legitimate rights and interests of citizens, legal persons and organizations.

The revised Administrative Review Procedure contains 21 articles, among which some key points of the revisions are as follows:

- ▶ Regulate the administrative review procedures of foreign exchange administration. In accordance with the Administrative Review Law of the People's Republic of China and other relevant laws and regulations, as well as practice of foreign exchange authorities, the administrative review procedures of review application, acceptance, review and decision making are detailed to ensure that review procedures are legal and standardized.
- ▶ Enhance the power constraints and supervision of administrative review. Implement the requirements of the central government and improve the collective deliberation of administrative review decisions.
- ▶ Remove the contents that are not compatible with the prevailing policies of foreign exchange administration, such as those terms related to foreign exchange receipt and payment write-off for imports and exports.
- ▶ Fully protect the legitimate rights and interests of applicants. Foreign exchange administrative review authorities should perform the duties of administrative review, follow the principles of legality, fairness, openness, timeliness, and convenience for the public, keep correcting any mistake, and ensure the proper implementation of laws and regulations.

The revised Administrative Review Procedure became effective on its promulgation date, i.e., 23 October 2020. The old Administrative Review Procedure became abolished at the same time. Relevant personnel and organizations are advised to make reference to the revised Administrative Review Procedure for more details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 2:

<https://www.safe.gov.cn/safe/2020/1027/17425.html>

- ▶ Notice regarding the work summary and random inspection of the evaluation for the 2020 Technology-based Small and Medium-sized Enterprises (TSMEs) (Guokehuozi [2020] No. 169)

#### Synopsis

To promote the development of TSMEs, on 16 October 2020, the Torch High Technology Industry Development Center of the Ministry of Science and Technology released Guokehuozi [2020] No. 169 ("Circular 169") regarding the work summary and random inspection of the evaluation for 2020 TSMEs.

Key features of Circular 169 are as follows:

- ▶ Local science and technology departments shall complete the work of online review and public opinion consultation on enterprises' information report for TSMEs evaluation by 15 November 2020.
- ▶ The provincial science and technology departments shall provide the information of TSMEs participating in the 2020 evaluation (i.e., enterprises that have submitted evaluation information report by 20 October 2020) regarding the situation of research and development expenses qualifying for super deduction for the annual CIT filing in May 2020.
- ▶ The scope of random inspection shall be TSMEs which have obtained the 2020 registration number by 20 October 2020 (excluding the enterprises directly recognized as TSMEs on the condition that they have valid High-and-New Technology Enterprises Certificates), and the list of enterprises shall be based on the announcement in national TSMEs evaluation system ([www.innofund.gov.cn](http://www.innofund.gov.cn)).
- ▶ The random inspection work shall start from the promulgation date of Circular 169 (i.e., 16 October 2020) to 15 November 2020. The enterprises subject to inspection shall submit relevant supporting documents through the evaluation system by the end of October 2020.
- ▶ Where the TSMEs subject to inspection are found to be disqualified, unable to provide supporting documents or having committed falsification during the random inspection, their TSMEs number shall be cancelled.

Relevant parties are encouraged to read Circular 169 for more details and get prepared for the random inspection.

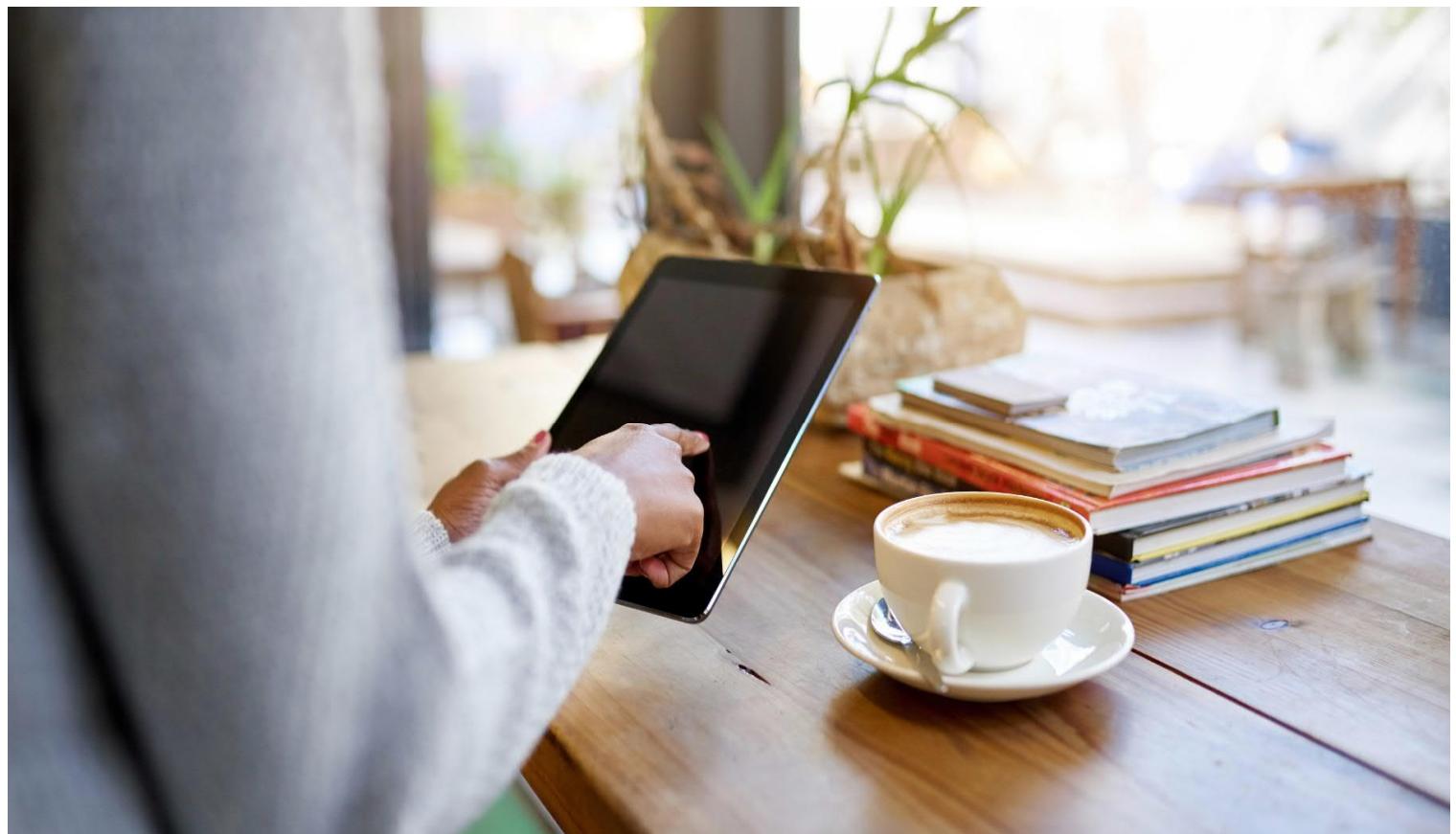
You can click this link to access the full content of Circular 169:

<http://www.chinatorch.gov.cn/kjb/tzgg/202010/b4341d9fdea049b1991df9d2ae3b9e16.shtml>

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

- ▶ Implementation opinions on accelerating the development of reform, transformation and upgrading of private enterprises (Fagaitigai [2020] No. 1566)  
[http://www.ndrc.gov.cn/xxgk/zcfb/tz//202010/t20201023\\_1248824.html](http://www.ndrc.gov.cn/xxgk/zcfb/tz//202010/t20201023_1248824.html)
- ▶ Notice regarding public opinion consultation on the "Law of the People's Republic of China on the People's Bank of China (Revised Discussion Draft)"  
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4115077/index.html>
- ▶ Implementation opinions on enhancing the administration of accounting firms practice and improving audit quality (Caikuai [2020] No. 14)  
[http://kjs.mof.gov.cn/zhengcefabu/202010/t20201026\\_3610839.htm](http://kjs.mof.gov.cn/zhengcefabu/202010/t20201026_3610839.htm)
- ▶ Notice regarding regulating collection agency business (Yinfa [2020] No. 248)  
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4115130/index.html>
- ▶ Notice regarding public opinion consultation on the "Law of the People's Republic of China on the Protection of Personal Information (Draft)"  
<http://www.npc.gov.cn/flcaw/userIndex.html?id=ff8080175265dd401754405c03f154c>
- ▶ Notice regarding public opinion consultation on the "Law of the People's Republic of China on Administrative Penalties (Revised Draft for Second Review)"  
<http://www.npc.gov.cn/flcaw/userIndex.html?id=ff8080175265dd4017544181b1b15c2>

- ▶ Regulations on National Science and Technology Awards (State Council Order [2020] No. 731)  
[http://www.gov.cn/zhengce/content/2020-10/27/content\\_5555074.htm](http://www.gov.cn/zhengce/content/2020-10/27/content_5555074.htm)
- ▶ Provisional regulations on review of concentration of business operators (SAMR Order [2020] No. 30)  
[http://www.gov.cn/zhengce/zhengceku/2020-10/28/content\\_5555291.htm](http://www.gov.cn/zhengce/zhengceku/2020-10/28/content_5555291.htm)
- ▶ Notice regarding the "Administrative Regulation on Cross-border and Domestic Receipt and Payment Vouchers for Domestic Banks" (Huifa [2020] No. 17)  
<https://www.safe.gov.cn/safe/2020/1029/17437.html>



## Contact us

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