

GARRIGUES

NEWSLETTER
TAX CHINA

MAY 2017



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NAME

DATE OF EFFECTIVENESS

GARRIGUES INSIGHT

财税[2017]34号 | 关于提高科技型中小企业研究开发费用税前加计扣除比例的通知/

Cai Shui [2017] No. 34 | Circular on Increasing the Proportion of Extra Pre-tax Deductions of Research and Development Costs for Small to Medium High-tech Companies.

02/05/2017

From 1 January 2017 to 31 December 2019, 175% of the actually R&D costs incurred by small to medium high-tech companies may be deducted before tax, provided that no intangible asset has been formed. If intangible assets are formed, such costs may be amortized at the rate of 175% of the intangible assets' costs before tax during the said period.

The measures for evaluating small to medium high-tech companies could be found in Guo Ke Fa Zheng [2017] No.115 | Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Issuing the Measures for Evaluating Small to Medium High-tech Companies.

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国家税务总局公告2017年第15号 | 关于增列中葡税收协定利息条款免税机构的主管当局间协议生效执行的公告/

Announcement of the State Administration of Taxation [2017] No.15 | Announcement on the Execution of Supplementary Tax Agreement between PRC Government and Portugal Government Regarding Interest Tax Exemption Authorities

07/05/2017

The following entities, that are wholly owned, directly or indirectly, by the Government of the People's Republic of China or an administrative subdivision or a local authority thereof, shall be considered as institutions within the scope of subparagraph (a)(vi) of paragraph 3 of Article 11 (Interest) of the Agreement:

- a) the National Council for Social Security Fund;
- b) the China Investment Corporation;
- c) the China Export & Credit Insurance Corporation;
- d) the China Development Bank.

It is agreed that the Central Bank of Portugal (Banco de Portugal), that is wholly owned by the Government of the Portuguese Republic, shall be considered as an institution within the scope of sub-paragraph (b)(v) of paragraph 3 of Article 11 (Interest) of the Agreement.

财税[2017]39号 | 关于将商业健康保险个人所得税试点政策推广到全国范围实施的通知/

Cai Shui [2017] No.39 | Circular on Promoting the Pilot Polices for Individual Income Tax on Commercial Health Insurance Nationwide

01/07/2017

The Individual Income Tax ("IIT") exemption rules on certain types of qualified commercial health insurance will be implemented nationwide. A maximum amount of RMB 2,400 per year (RMB 200 per month) may be deducted from taxable income for each individual. Expenses for the said commercial health insurance products purchased by employers for their employees shall be included in the individuals' salaries of the employees as if the products were purchased by the employees and are deductible from taxable income within the above limit.

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The taxpayers who are subject to the preferential tax policies for commercial health insurance refer to:-

- Individuals receive income from salaries, successive service income;
- Individual business owners, investors of sole proprietorships, partners of partnership enterprises and contractors who receive trading income.

Qualifying commercial health insurance products refer to the health insurance products developed by insurance companies according to the guidance issued by tax authorities, Ministry of Finance and China Insurance Regulatory Commission.

To enjoy the tax preferential policy, the amount of premium paid by either employers or employees (insurance policy shall be provided to the employer for IIT exemption purpose) shall be included in the payroll of employees on a real-name basis. In the following month after purchase of products, the withholding agent shall be subject to IIT exemption on commercial health insurance premium up to CNY200 per month (CNY2,400 per year).

Individual business owners, investors of sole proprietorships, partners of partnership enterprises and contractors receiving trading income who pay the insurance by themselves shall be subject to IIT exemption on commercial health insurance premium up to CNY2,400 per year.

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财税[2017]37号 | 关于简并增值税税率有关政策的通知/

Cai Shui [2017] No. 37 | Circular on Policies for Simplifying and Consolidating Value-added Tax Rates

01/07/2017

I. Change in VAT rate for certain types of goods

Taxpayers that sell or import the following goods will be subject to VAT rate at the 11% instead of 13%:-

Agricultural products (including grains), tap water, heating, liquefied petroleum gas, natural gas, edible vegetable oil, air conditioning, hot water, coal gas, coal products for household use, food-grade salt, farm machinery, fodder, pesticides, agricultural film, fertilizer, methane gas, dimethyl ether, books, newspapers, magazines, audio-visual products and electronic publications.

II. Specific rules for input VAT credit of agricultural products

A number of rules in relation to the deduction of input VAT credit have specified for the taxpayers that purchase agricultural products in the Circular.

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III. Adjustment in export tax rebate rate for certain listed goods

The export tax rebate rates for goods listed in Appendix II of this Circular You have not defined this. are adjusted to 11%.

Foreign trade enterprises that export goods listed in Appendix II of the Circular and have paid VAT at the 13% rate upon purchase will enjoy a 13% export rebate rate before August 31, 2017. In the case that the foreign trade enterprises pay VAT at the 11% rate upon purchase will enjoy an 11% export rebate rate.

Manufacturing enterprises that export goods listed in Appendix II will enjoy a 13% export rebate rate before August 31, 2017.

The export date of goods shall be the execution date indicated in the export declaration form.

国家税务总局公告2017年第19号 | 国家税务总局关于调整增值税纳税申报有关事项的公告/

Announcement of the State Administration of Taxation [2017] No. 12 | Announcement of the State Administration of Taxation on Adjusting Relevant Matters concerning the Filing of Value-added Tax Returns

01/08/2017

Following the adjustment in VAT rate as detailed in Cai Shui [2017] No. 37, the 11% tax rate column in appendix I of the VAT return is divided into two columns: (i) goods, processing, repairing and replacement services at 11%; and (ii) services at 11%

Column 8 in appendix II of the VAT return is replaced by 2 columns:-

- Others
- Super Deduction for Agriculture Products

国家税务总局公告2017年第12号 | 国家税务总局关于2016年度企业研究开发费用税前加计扣除政策企业所得税纳税申报问题的公告/

Announcement of the State Administration of Taxation [2017] No. 12 | Announcement of the State Administration of Taxation on Enterprise Income Tax Declaration Issues concerning Pre-tax Weighted Deduction Policy for Enterprise Research and Development Expenses in 2016 ("Announcement")

02/05/2017

When enterprises enjoy the R&D expense pre-tax super deduction policy, the Schedule of the Super Deduction for R&D Expenses for R&D Projects shall be submitted as an attachment during the annual Enterprise Income Tax filing for 2016.

Detailed guidance has been provided in the Announcement for the completion of the required forms.

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国家税务总局 财政部 中国人民银行 中国银行业监督管理委员会 中国证券监督管理委员会 中国保险监督管理委员会公告2017年第14号 | 关于发布《非居民金融账户涉税信息尽职调查管理办法》的公告/
Announcement of the State Administration of Taxation, Ministry of Finance, People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission [2017] No.14 | Announcement on Announcing the Administrative Measures of Due Diligence for Financial Accounts of Non-resident Enterprises ("Announcement")

01/07/2017

Purpose

In order to improve the transparency of taxation information by enhancing the corporation of international taxation and opposing to the anti-tax avoidances by taking advantage of offshore accounts, a number of Chinese authorities have issued an announcement which requires financial institutions to perform tax due diligence ("TDD") on financial accounts of non-resident individuals and Institutions.

Who will be investigated by financial institutions?

- The balance of existing individual accounts that exceeds USD 1 million ("High Net Value Individual") as at June 30, 2017 would be included in the TDD. The ending balance for each year end onwards that exceeds USD 1 million would also be considered as High Net Value Individual and subject to the TDD by December 31 of the following year.
- Likewise, the aforementioned USD 1 million limit for existing individual accounts is replaced with a limit of USD 250,000 for existing institutional accounts.
- More detailed information would be required by financial institutions for both new individual and institutional financial accounts since July 1, 2017.

Impact of TDD

Following the completion of TDD, the State Administration of Taxation anticipated to initiate the first tax related information exchange with tax authorities of other countries in September 2018.

国家税务总局公告2017年第16号 | 国家税务总局关于增值税发票开具有关问题的公告
Announcement of the State Administration of Taxation [2017] No. 12 | Announcement of the State Administration of Taxation on the Issuing of General VAT Invoices

01/07/2017

From July 1, 2017, taxpayer shall provide tax identity number or unified social credit code to the seller for obtaining a general VAT invoice, provided that the buyer is an enterprise.

Likewise, the seller shall issue the general VAT invoices with the aforementioned information to a buyer that is an enterprise. By failing to do so, the non-compliant invoices cannot be treated as a valid supporting document for taxation purpose.

OTHER TAX NEWSLETTER

1. 国家税务总局公告2017年第13号| 关于发布《涉税专业服务监管办法(试行)》的公告/

Announcement of the State Administration of Taxation [2017] No. 13 | Announcement on Promulgating the Measures for the Regulation of Tax-related Professional Services (for Trial Implementation)

2. 财法[2017]2号|关于印发《压缩财税优惠办理时间改革实施方案》的通知/

Cai Fa [2017] No.2 | Circular on Issuing the Implementing Proposals for the Reform of Shortening the Time for Settling the Fiscal Tax Relief Formalities

3. 国家税务总局令第41号|税收规范性文件制定管理办法/

Order of the State Administration of Taxation No. 41 | Administrative Measures for the Formulation of Taxation Normative Documents

4. 交办水函[2017]598号 |交通运输部办公厅关于明确享受中资“方便旗”船税收优惠政策船舶转挂五星红旗后兼营国内运输管理问题的通知

Jiao Ban Shui Han [2017] No.598 | Circular of the General Office of the Ministry of Transport on Clarifying Issues concerning the Administration of the Domestic Transportation Business Conducted Concurrently by Ships Eligible for the Preferential Tax Policy for Chinese-funded Ships Flying Flags of Convenience after Hanging the Five-Starred Red Flag

5. 财税[2017]38号|关于创业投资企业和天使投资个人有关税收试点政策的通知/

Cai Shui [2017] No. 38 | Circular on the Pilot Tax Policies for Venture Capital Firms and Individual Angel Investors

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SOURCES

1. <http://www.chinatax.gov.cn/>

2. <http://www.mof.gov.cn/>

3. <http://www.mot.gov.cn/>

4. <http://www.lexiscn.com/>

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