

# 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 circulars

- ▶ Public notice (PN) regarding the amendments to certain Corporate Income Tax (CIT) returns (STA PN [2020] No. 12)

### Synopsis

On 29 June 2020, the State Taxation Administration (STA) released STA PN [2020] No. 12 ("PN 12") to launch the following updated CIT returns which incorporate the changes of certain CIT preferential treatments during the period of prevention and control of COVID-19 epidemic, as well as the CIT preferential treatments for enterprises in Hainan Free Trade Port (FTP), etc.:

- ▶ Monthly (quarterly) provisional CIT returns (Type A, 2018 version), applicable to resident enterprises taxed on an actual basis; and
- ▶ Monthly (quarterly) provisional CIT returns (Type B, 2018 version), applicable to resident enterprises taxed on a deemed basis.

Among the changes, it is worth-noting that the schedule for accelerated depreciation of fixed assets (i.e., A201020) of the “monthly (quarterly) provisional CIT returns (Type A, 2018 version)” is renamed as schedule for accelerated depreciation/amortization of assets which incorporate the assets’ accelerated depreciation/amortization policies for enterprises in Hainan FTP according to Circular 31 (“Circular 31”, i.e., Notice regarding the CIT preferential policies for enterprises in Hainan FTP). In addition, the schedule for CIT preferential treatments (i.e., A201030) is also revised to reflect the reduced CIT rate of 15% for enterprises engaging in encouraged industries in Hainan FTP. (Please refer to CTIE2020026 for details of Circular 31.)

PN 12 became effective on 1 July 2020. Resident enterprises that file CIT on a monthly basis shall start to adopt the updated CIT returns in their June 2020 filing while resident enterprises that file CIT on a quarterly basis shall start to adopt the updated CIT returns in their 2020 second quarter filing.

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5153910/content.html>

You can click this link to access the full content of Circular 31:

[http://szs.mof.gov.cn/zhengcefabu/202006/t20200630\\_3540842.htm](http://szs.mof.gov.cn/zhengcefabu/202006/t20200630_3540842.htm)

- ▶ PN regarding the policies of tourists’ offshore duty-free shopping in Hainan (MOF/GAC/STA PN [2020] No. 33)

### Synopsis

In order to implement the Overall Plan for the Construction of Hainan FTP (hereinafter referred to as the “Plan”), the Ministry of Finance (MOF), General Administration of Customs (GAC) and STA jointly released MOF/GAC/STA PN [2020] No. 33 (“PN 33”) on 29 June 2020 to specify the relevant preferential policies of tourists’ offshore duty-free shopping in Hainan. (Please refer to CTIE2020022 and the WeChat article issued on 2 June 2020 for details of the Plan.)

PN 33 came into effect on 1 July 2020. Key features are as follows:

### Offshore duty-free shopping policy

The offshore duty-free shopping policy grants passengers, who leave the island by air, train, or ship (excluding leaving the country), duty-free shopping quota with limitations on value and categories of goods. Tourists can shop at duty-free stores that implement such shopping policy or through approved online shops with goods collected in designated areas of airports, railway stations and ports. The duty-free policy covers customs duty, import-level Value-added Tax and Consumption Tax.

### Duty-free shopping quota

The duty-free shopping quota is RMB100,000 per person per year with no limitation on times but there would be limitation on quantity for certain goods. The categories of duty-free goods and the quantity limits for each time shall be implemented in accordance with the attachment of PN 33. Import duty and taxes shall be levied on the portion exceeding the quota or quantity limit.

### Offshore duty-free stores

Currently the franchised duty-free stores include Haikou Meilan Airport Duty Free Shop, Haikou Riyue Plaza Duty Free Shop, Qionghai Bo’ao Duty Free Shop and Sanya Haitang Bay Duty Free Shop.

### Supervision measures

Purchased offshore duty-free goods are deemed as goods to be used by ultimate consumers and shall not be resold in the domestic market. Individuals who resell, purchase (as an agent), and smuggle duty-free goods would have remarks in their credit records according to law and regulations and shall not be allowed to purchase any duty-free goods within three years. If the case constitutes a crime, criminal responsibility shall be investigated according to law.

You can click this link to access the full content of PN 33:

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202006/t20200629\\_3540437.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202006/t20200629_3540437.htm)

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

[http://www.gov.cn/zhengce/2020-06/01/content\\_5516608.htm](http://www.gov.cn/zhengce/2020-06/01/content_5516608.htm)

- ▶ Notice regarding extending the validity of the “Catalogs of Key Technological Equipment and Products Not Exempt from Import-level Taxes (2018 Revised)” (Caiguanshui [2020] No. 28)

### Synopsis

On 28 November 2019, the MOF, Ministry of Industry and Information Technology, National Energy Administration, STA and GAC jointly released the “Catalogs of Key Technological Equipment and Products Not Exempt from Import-level Taxes (2019 Revised)” (hereinafter referred to as the “2019 Non-tax Exempt Catalog”) via Caiguanshui [2019] No. 38 (“Circular 38”, i.e., Notice regarding the adjustments to the catalogues of key technological equipment that are entitled to certain import-level tax policies), in which the scope of non-exempt tax items was expanded. The transition arrangement for the catalogue adjustments was stipulated in Circular 38.

To support enterprises to respond to the negative impact from COVID-19 epidemic, on 24 June 2020, the abovementioned government authorities jointly released Caiguanshui [2020] No. 28 (“Circular 28”) to extend the validity of the “Catalogs of Key Technological Equipment and Products Not Exempt from Import-level Taxes (2018 Revised)” (hereinafter referred to as the “2018 Non-tax Exempt Catalog”) and thus more tax-exempt items are maintained in favor of enterprises’ tax savings. (Please refer to CTIE2019049 for details of Circular 38.)

According to Circular 28, the issues stipulated in Circular 38 are revised as follows:

- ▶ Where the projects/enterprises as prescribed in Circular 38 import qualifying equipment on or before 31 December 2020, they can still reference to the 2018 Non-tax Exempt Catalog and the regulations as prescribed in MOF/NDRC/GAC/STA PN [2012] No. 83 (“PN 83”, i.e., Notice regarding the adjustment of the “Catalog of Imported Commodities without Tax Exemption for Domestic Investment Projects”). (Please refer to CTIE2013003 for details of PN 83.)
- ▶ Effective from 1 January 2021, importation of equipment listed in 2019 Non-tax Exempt Catalog by projects/enterprises as prescribed in Circular 38, shall be subject to import taxes (instead of “effective from 1 July 2020” as prescribed in Circular 38).

The extension of the validity of 2018 Non-tax Exempt Catalog is more favorable to enterprises since there are less non-tax exempt items than those in the 2019 Non-tax Exempt Catalog. Relevant enterprises are encouraged to read Circular 28 for more details and leverage the benefits. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 83:

[http://www.fdi.gov.cn/1800000121\\_23\\_70502\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_23_70502_0_7.html)

You can click this link to access the full content of Circular 38:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5140651/content.html>

You can click this link to access the full content of Circular 28:

[http://www.mof.gov.cn/gp/xxgkml/gss/202006/t20200630\\_3541220.htm](http://www.mof.gov.cn/gp/xxgkml/gss/202006/t20200630_3541220.htm)

### Customs circular

- ▶ PN regarding adjusting the time limit of tax declaration for domestic sales of processing trade (GAC PN [2020] No. 78)

### Synopsis

In order to promote the prevention and control of COVID-19 epidemic and enhance economic and social development, on 1 July 2020, the GAC released GAC PN [2020] No. 78 (“PN 78”) to further relax the time limit of tax declaration for domestic sales of goods produced under processing trade, this could support processing trade enterprises to expand in the domestic market.



Key measures of PN 78 are as follows:

- ▶ Eligible processing trade enterprises outside special customs supervision zones that make tax declaration for domestic sales on a monthly basis, can complete the tax declaration within 15 days following the end of each quarter at the latest and before the expiration date of the handbooks or the deadline for accounting book verification and cancellation.
- ▶ Processing trade enterprises within special customs supervision zones that handle the formalities of entering the customs territory of the People's Republic of China (i.e. areas out of special customs supervision) by means of "delivering goods in batches with centralized declaration" can complete the tax declaration within 15 days following the end of each quarter at the latest and before the deadline for accounting book verification and cancellation.
- ▶ The newly relaxed time limit for tax declaration cannot cross a year. Enterprises shall conduct the tax filing before 15 April, 15 July, 15 October and 31 December for each year.

PN 78 became effective on its promulgation date, i.e., 1 July 2020. Enterprises engaged in domestic sales of processing trade are advised to read PN 78 carefully and observe the regulations. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 78:

<http://www.customs.gov.cn/customs/302249/2480148/3167697/index.html>

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

- ▶ Notice regarding applying most-favorite-nation tariff rates to imported goods originating from the Republic of Kiribati (Shuiweihui [2020] No. 19)  
[http://gss.mof.gov.cn/gzdt/zhengcefabu/202006/t20200630\\_3540644.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202006/t20200630_3540644.htm)
- ▶ PN regarding the pilot run of "Cross-border Wealth Management" in the Guangdong-Hong Kong-Macao Greater Bay Area  
[http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post\\_261479.html](http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_261479.html)
- ▶ Notice regarding extending the temporary reduction of electricity costs of enterprises (Fagaijiage [2020] No. 994)  
[http://www.gov.cn/zhengce/zhengceku/2020-06/28/content\\_5522409.htm](http://www.gov.cn/zhengce/zhengceku/2020-06/28/content_5522409.htm)
- ▶ Notice regarding the public consultation on the "Administrative Punishment Measures of the State Administration of Foreign Exchange (Discussion Draft)"  
<http://www.safe.gov.cn/safe/2020/0624/16499.html>
- ▶ Notice regarding the third batch of "Best Practice Cases" for the comprehensive pilot opening-up of the service industry in Beijing (Shangzihan [2020] No. 180)  
<http://www.mofcom.gov.cn/article/ae/ai/202006/20200602978225.shtml>
- ▶ Notice regarding the issues related to extending the temporary reduction on port charges (Jiaoshuifa [2020] No.67)  
[http://xxgk.mot.gov.cn/jigou/syj/202006/t20200629\\_3400740.html](http://xxgk.mot.gov.cn/jigou/syj/202006/t20200629_3400740.html)
- ▶ Notice regarding extending the temporary reduction and exemption of certain credit reference service charges (Fagaijiage [2020] No. 1010)  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202007/t20200701\\_1232825.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202007/t20200701_1232825.html)
- ▶ PN regarding issues related to applying most-favorite-nation tariff rates to imported goods originating from the Republic of Kiribati (GAC PN [2020] No. 77)  
<http://www.customs.gov.cn/customs/302249/2480148/3164768/index.html>

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