



ISSUE 4 | January 2018

Reference: N/A Issuance date: N/A Effective date: N/A

Relevant industries: All Relevant companies: All Relevant taxes: All

Potential impacts on businesses:

- Operational costs reduced
- Compliance risks due to regulatory uncertainties reduced

You may click <u>here</u> to access full content of the circular.

National tax work conference sets tax tasks for 2018

The <u>National Tax Work Conference</u> was hosted by the State Administration of Taxation (SAT) in Beijing on 17 January 2018. In addition to detailing the tax revenues collected over the past five years, six planned tax system reforms were outlined:

Optimise tax collection	 Collection of taxes will be solely on the basis on law and regulations, with limitation of discretionary tax administrative action; Provide for additional tax reductions and tax exemptions; Crack down on tax evasion and tax fraud;
Serve national development strategies	Improve tax policies to:
	 Fight against poverty, e.g. tax incentives to support low earners to start up businesses;
	 Fight against pollution, e.g. the new Environmental Protection Tax ("EPT") - see below for detail;
	 Facilitate the 'Made in China 2025' strategy to transform Chinese advanced manufacturing;
	VAT rule enhancements, including for export refunds.
	 Preferential tax policies to support innovation, rural revitalization, and development of poorer regions (such as western China)
	Tax services support for government initiatives, such as:
	"Belt and Road" initiative ("BRI");
	Development of Beijing-Tianjin-Hebei area;
	 Development of the Yangtze River economic belt;
	Development of free trade zones.

China Tax Weekly Update (Issue 4)

Deepen tax reforms	 Support supply-side structural reforms - see KPMG's report: <u>The 13th Five-Year Plan - China's transformation</u> and integration with the world economy for details; Support small enterprise development; Expand the scope of local taxes. These are currently urban and township land use tax (UTLUT), real estate tax (RET), vehicle and vessel tax (VVT), arable land occupation tax (ALOT), deed tax (DT), tobacco tax (TT) and land appreciation tax (LAT). Provide more guidance on local tax bureau (LTB) collected taxes.
Simplify tax administration	 Enhance tax collection and administration systems with new 30 - see KPMG <u>China Tax Weekly Update (Issue 38,</u> <u>September 2017</u>) for details of the measures; Improve resolution of taxpayer matters, including: Compiling a list of tax matters / issues that can be resolved by local tax authorities immediately and those issues which can be resolved online; Simplify documentation requirements for handling tax matters; Upgrade the 'online tax service hall'; Strengthen the collaboration between State Tax Bureaus (STBs) and LTBs (e.g. through sharing information)
Strengthen international tax cooperation	 Make greater efforts to support BRI; Accelerate the negotiation, signing and amendment of double tax agreements (DTAs) with key countries (such as those along the BRI) Exchange insights and experience on international tax issues with other countries; Support inbound and outbound investments.
Push forward a law-based tax administration	 Implement a tax statutory principle (i.e., all taxes will be governed by statutory laws); Enforce the law on a fair basis; A "three systems" pilot initiative is already in effect to improve tax transparency and tax authority internal tax management processes. This is now to be rolled out across STBs and LTBs.

For further information on future tax reform plans:

On 18 October 2017, the 19th National Congress of the Communist Party of China (CPC) was held in Beijing. President Xi Jinping made a keynote <u>speech</u> to the CPC Congress noting China's rapid economic progress. In order to transform China's growth model, the government is introducing a number of measures to develop the economy (see KPMG <u>China Tax Weekly Update (Issue 41, October 2017</u>) for details).

Mr. Xiao Jie, the Chinese Minister of Finance, published an article entitled "<u>Speeding up the Establishment of the Modern Fiscal System</u>" in the People's Daily newspaper on 20 December 2017. The article highlighted the steps that China will undertake to enhance the tax reform (see KPMG <u>China Tax Weekly</u> <u>Update (Issue 50, December 2017)</u> for details). Reference: GAC Order No. 236 Issuance date: 26 December 2017 Effective date: 1 February 2018

Relevant industries: All Relevant companies: Enterprises engaged in imports and exports Relevant taxes: Imported VAT / Customs duty

Potential impacts on businesses:

• Compliance risks due to regulatory uncertainties reduced

You may click <u>here</u> to access full content of the circular.

China's Customs introduces Advance Ruling regime

On 26 December 2017, the General Administration of Customs (GAC) issued the <u>Interim Administrative Measures on Advancing Rulings</u> (GAC Order No. 236). Effective from 1 February 2018, China Customs will introduce an advance ruling regime.

Under GAC Order No. 236, an applicant may, prior to its actual import or export of goods, apply for advance rulings on the following:

- Classification of goods imported or exported;
- Place of origin, or qualifications as original products, for imported and exported goods;
- Relevant factors for dutiable value and valuation methods for imported goods. "Relevant factors for dutiable value" include royalties, commissions, insurance premiums and freight fees, special relationships and other factors related to the determination of dutiable value; and
- Other customs affairs stated by the GAC.

Applicants for advance rulings should be foreign business operators engaged in import and export activities which have been registered with China Customs.

Application process

- An applicant for an advance ruling shall submit the Application for Advance Ruling and other supporting documents to China Customs. Where the documents are in a foreign language, a translated Chinese version must be submitted.
- An advance ruling application should only cover one type of customs issue and should be made at least 3 months before the scheduled time for import / export. The applicant shall apply to the customs office where it is registered for advance rulings.
- Upon receipt of the application and supporting documents, Customs would review and decide whether or not to accept the application within 10 days. Once the application is accepted, an advance ruling decision would be issued within 60 days from the date of acceptance.

Validity

- An advance ruling decision is valid for three years.
- Advance ruling decisions may not retroactively apply to imports and exports that have been made before these decisions come into force.
- Customs may disclose an advance ruling decision to the public, unless where there is trade secret.

With regard to the detailed analysis and interpretation on GAC Order No. 236, please read the following KPMG publication:

China Tax Alert: China Customs Issued the Interim Administrative Measures on Advance Ruling (Issue 1, January 2018)

Further reading:

China is planning to include an advance ruling facility in the updated Tax Collection and Administration (TCA) Law. According to the 2015-issued <u>draft bill</u> for the revised TCA law, taxpayers may apply for an advance ruling to obtain certainty from the tax authorities at the provincial-level and above on the tax treatment of complicated tax issues. These can be issues which: (i) involve significant economic interests; and (ii) are difficult to address under existing law and regulations. This may be due to local tax authorities having different interpretations of the law and regulations. The revised TCA law is expected to be finalized in 2018. Currently, an advance ruling system is being rolled out for 'advance pricing arrangements' (APAs). In October 2016, China's SAT issued its enhanced APA administration rules (SAT Announcement 64) to replace the 2009-issued rules. Please refer to the following KPMG publications for more details:

- China Tax Weekly Update (Issue 40, October 2016)
- □ China Tax Alert: State Administration of Taxation Issued Announcement on the Enhancement of Administration of APA (Issue 28, October 2016)

Environmental protection tax in development

The Environmental Protection Tax (EPT) Law was approved by the Standing Committee of the 12th National People's Congress on 25 December 2016. Effective from 1 January 2018, EPT will replace the existing pollutant discharge fee system.

The EPT law adopts the current standards for pollutant discharge fees and is not intended, in the medium term, to raise enterprise fiscal burdens (See KPMG *China Tax Weekly Update (Issue 1, January 2017)* for further details).

On 25 December 2017, the State Council issued <u>Implementation Regulations</u> <u>on EPT Law</u> (State Council Decree No. 693) which clarifies the scope of taxable pollutants and taxpayers (see KPMG <u>China Tax Weekly Update (Issue 2,</u> <u>January 2018)</u> for details).

In addition, on 7 January 2018, the Ministry of Finance (MOF) issued <u>Cai Shui</u> [2018] No. 4 ("Circular 4") to clarify that the following two types of pollutant discharge fees would not be imposed from 1 January 2018 nationwide:

- 'pollutant discharge fees' which were imposed on wastewater, waste gas, solid and hazardous wastes, noise and volatile organic compound.
- 'pollutant discharge fees' which were imposed on wastewater discharged by marine engineering (e.g. offshore petroleum/natural gas exploitation). This includes production waste and cabin sewage, drilling fluid and cuttings, sanitary sewage and domestic waste.

See an article entitled **The future is green: EPT in China** in <u>China Looking</u> <u>Ahead (7th edition)</u> (produced by KPMG China in association with the International Tax Review) for further details on EPT.

Reference: Cai Shui [2018] No. 4 Issuance date: 7 January 2018 Effective date: 1 January 2018

Relevant industries: All Relevant companies: Enterprises, public institutions and other producers and business operators that discharge taxable pollutants into the environment directly Relevant taxes: EPT

Potential impacts on businesses:

• Compliance risks due to regulatory uncertainties reduced

You may click <u>here</u> to access full content of the circular.



Other recent regulatory and tax circulars:

- State Council's decision on amending 'Rules on Procedures for Formulation of Laws' (State Council Decree No. 694, issued on 16 January 2018)
- State Council's decision on amending 'Rules on Procedures for Formulation of Regulations' (State Council Decree No. 695, issued on 16 January 2018)
- NDRC's notice on application of 2018 borrowing quotas of medium and long-term external loans of domestic foreign-invested banks (Fa Gai Ban Wai Zi [2018] No. 18, issued on 8 January 2018)



Elizabeth DE LA CRUZ

elizabeth.delacruz@kpmg.com

matthew.fenwick@kpmq.com

Tel.+85228268071

Matthew Fenwick Tel. +852 2143 8761

Sandy Fung Tel. +852 2143 8821

Tel. +852 2826 8070

Stanley Ho Tel. +852 2826 7296

stanley.ho@kpmg.com

Becky Wong Tel. +852 2978 8271

Barbara Forrest

John Kondos

Kate Lai

Travis Lee

Irene Lee Tel. +852 2685 7372 irene.lee@kpmg.com

Ivor Morris

Tel. +852 2685 7457

Tel. +852 2978 8942 kate.lai@kpmg.com

Tel. +852 2143 8524 travis.lee@kpmg.com

Alice Leung Tel. +852 2143 8711

alice.leung@kpmg.com

Tel. +852 2847 5092

Benjamin Pong Tel. +852 2143 8525

Malcolm Prebble Tel. +852 2684 7472

David Siew Tel. +852 2143 8785

Murray Sarelius Tel. +852 3927 5671

John Timpany Tel. +852 2143 8790

Lachlan Wolfers

Steve Man Tel. +852 2978 8976

Daniel Hui

Tel. +852 2685 7791

steve.man@kpmg.com

Tel +852 2685 7815

daniel.hui@kpmg.com

Tel. +852 3927 5572

erica.chan@kpmg.com

Tel. +852 2685 7559 adam.zhong@kpmg.com

Tel.+85226857454 eva.chow@kpmg.com

Alexander ZEGERS

Tel +85221438796

nder@kpmg.com

Tel. +852 2143 8753 karmen.yeung@kpmg.com

Karmen Yeung

Erica Chan

Adam Zhong

Eva Chow

murray.sarelius@kpmq.com

john.timpany@kpmg.com

lachlan.wolfers@kpmg.com

david.siew@kpmg.com

beniamin.pong@kpmg.com

malcolm.j.prebble@kpmg.com

ivor.morris@kpma.com

john.kondos@kpmg.com

becky.wong@kpmg.com

Tel. +852 2978 8941 barbara.forrest@kpmg.com

charles.kinsley@kpmg.com

sandy.fung@kpmg.com Charles Kinsley

For any enquiries, please send to our public mailbox: taxenguiry@kpmg.com or contact our partners/directors in each China/HK offices.

Khoonming Ho Head of Tax KPMG Asia Pacific Tel. +86 (10) 8508 7082 khoonming.ho@kpmg.com

Lewis Lu Head of Tax, KPMG China Tel. +86 (21) 2212 3421 lewis.lu@kpmg.com

Beijing/Shenyang/Qingdao Vincent Pang Tel. +86 (532) 8907 1728 vincent.pang@kpmg.com

Tianiin Eric Zhou Tel. +86 (10) 8508 7610 ec.zhou@kpmg.con

Shanghai/Nanjing/Chengdu Anthony Chau Tel. +86 (21) 2212 3206 anthony.chau@kpmg.com

Hangzhou John Wang Tel. +86 (571) 2803 8088 john.wang@kpmg.com

Guangzhou Lilly Li Tel. +86 (20) 3813 8999 lillv.li@kpma.com

Fuzhou/Xiamen Maria Mei Tel. +86 (592) 2150 807 maria.mei@kpmg.com

Shenzhen Eileen Sun Tel. +86 (755) 2547 1188 eileen.gh.sun@kpmg.com

Hona Kona Karmen Yeung Tel. +852 2143 8753 karmen.yeung@kpmg.com

Northern China

Vincent Pana Head of Tax, Northern Region Tel. +86 (10) 8508 7516 +86 (532) 8907 1728 vincent.pang@kpmg.con

Cheng Chi Tel. +86 (10) 8508 7606 cheng.chi@kpmg.com

Conrad TURLEY Tel. +86 (10) 8508 7513 conrad.turley@kpmg.com

Milano Fang Tel. +86 (532) 8907 1724 milano.fang@kpmg.com

Tony Feng Tel. +86 (10) 8508 7531 tony.feng@kpmg.com Flora Fan

Tel. +86 (10) 8508 7611 flora.fan@kpmg.com

John Gu +86 (10) 8508 7095 iohn.au@kpma.com

Rachel Guan Tel. +86 (10) 8508 7613 rachel.guan@kpmg.com

Helen Han Tel. +86 (10) 8508 7627 h.han@kpmg.com

Michael Wong Tel. +86 (10) 8508 7085 michael.wong@kpmg.com

Josephine Jiang Tel. +86 (10) 8508 7511 josephine.jiang@kpmg.com

Henry Kim Tel. +86 (10) 8508 5000 henry.kim@kpmg.com

David Ling Tel. +86 (10) 8508 7083 david.ling@kpmg.com

Li Li Tel. +86 (10) 8508 7537 li.li@kpmg.com

Lisa Li Tel. +86 (10) 8508 7638 lisa.h.li@kpmg.com Thomas Li

Tel +86 (10) 8508 7574 thomas.li@kpmg.com Larry Li

+86 (10) 8508 7658 Tel larry.y.li@kpmg.com

Lucia Liu Tel. +86 (10) 8508 7570 lucia.jj.liu@kpmg.com

Alan O'Connor Tel. +86 (10) 8508 7521 alan.oconnor@kpmg.com

Shirley Shen Tel. +86 (10) 8508 7586 vinghua.shen@kpmg.com

Joseph Tam +86 (10) 8508 7605 laiviu.tam@kpmg.com

Joyce Tan Tel. +86 (10) 8508 7666 joyce.tan@kpmg.com

Cynthia Xie Tel. +86 (10) 8508 7543 cynthia.py.xie@kpmg.com Christopher Xing Tel. +86 (10) 8508 7072

christopher.xing@kpmg.com

information without appropriate professional advice after a thorough examination of the particular situation.

kpmg.com/cn

Adams Yuan Tel. +86 (10) 8508 7596 adams.vuan@kpmq.com Jessie Zhang Tel. +86 (10) 8508 7625

jessie.j.zhang@kpmg.com Sheila Zhang Tel: +86 (10) 8508 7507

sheila.zhang@kpmg.com

Irene Yan Tel. +86 (10) 8508 7508

irene.van@kpmq.com

Tiansheng Zhang Tel. +86 (10) 8508 7526 tiansheng.zhang@kpmg.com

Tracy Zhang Tel. +86 (10) 8508 7509 tracy.h.zhang@kpmg.com

Eric Zhou Tel. +86 (10) 8508 7610 ec.zhou@kpmg.com

Vivian Zhou Tel. +86 (10) 8508 3360 v.zhou@kpmg.com

Central China

Anthony Chau Head of Tax. Eastern & Western Region Tel. +86 (21) 2212 3206 anthony.chau@kpmg.com

Yasuhiko Otani Tel. +86 (21) 2212 3360 yasuhiko.otani@kpmg.com

Johnny Deng Tel. +86 (21) 2212 3457 johnny.deng@kpmg.com

Cheng Dong Tel. +86 (21) 2212 3410 chena.dona@kpma.com

Marianne Dong Tel. +86 (21) 2212 3436 marianne.dong@kpmg.com

Chris Ge Tel. +86 (21) 2212 3083 chris.ge@kpmg.com Chris Ho

Tel. +86 (21) 2212 3406 chris.ho@kpmg.com

Henry Wong Tel. +86 (21) 2212 3380 henry.wong@kpmg.com

Jason Jiang Tel. +86 (21) 2212 3527 jason.jt.jiang@kpmg.com

Flame Jin Tel. +86 (21) 2212 3420 flame.jin@kpmg.com

Sunny Leung Tel. +86 (21) 2212 3488 sunny.leung@kpmg.com

Michael Li Tel +86 (21) 2212 3463 michael.y.li@kpmg.com

Karen Lin Tel. +86 (21) 2212 4169 karen.w.lin@kpmg.com

Benjamin Lu Tel. +86 (21) 2212 3462 benjamin.lu@kpmg.com

Christopher Mak Tel. +86 (21) 2212 3409 christopher.mak@kpmg.com

Henry Ngai Tel. +86 (21) 2212 3411 henry.ngai@kpmg.com

Naoko Hirasa Tel. +86 (21) 2212 3098 naoko.hirasawa@kpmg.com

Rugiang Pan Tel. +86 (21) 2212 3118 rugiang.pan@kpmg.com

Amy Rao Tel. +86 (21) 2212 3208 amv.rao@kpmg.com

Wayne Tan Tel. +86 (28) 8673 3915 wayne.tan@kpmg.com

Tanya Tang Tel. +86 (25) 8691 2850 tanya.tang@kpmg.com

Rachel Tao Tel. +86 (21) 2212 3473 rachel.tao@kpmg.com

Janet Wang Tel. +86 (21) 2212 3302 janet.z.wang@kpmg.com

John Wang Tel. +86 (571) 2803 8088 john.wang@kpmg.com

Mimi Wang Tel. +86 (21) 2212 3250 mimi.wang@kpmg.com

Jennifer Weng Tel. +86 (21) 2212 3431 jennifer.weng@kpmg.com

Tel. +86 (21) 2212 3422 grace.xie@kpmg.com

Grace Xie

Bruce Xu Tel. +86 (21) 2212 3396 bruce.xu@kpmg.com

Jie Xu Tel. +86 (21) 2212 3678 jie.xu@kpmg.com

Robert Xu Tel. +86 (21) 2212 3124 robert.xu@kpmg.com

Yang Yang Tel. +86 (21) 2212 3372 vang vang@kpmg.com

Jason Yu Tel. +86 (21) 2212 3316 iim.vu@kpma.com

William Zhang Tel. +86 (21) 2212 3415 william.zhang@kpmg.com

Hanson Zhou Tel. +86 (21) 2212 3318 hanson.zhou@kpmg.com

Michelle Zhou Tel. +86 (21) 2212 3458 michelle h zhou@knma.com

Eric Zhang Tel. +86 (21) 2212 3398 eric.z.zhang@kpmg.com

Kevin Zhu Tel. +86 (21) 2212 3346 kevin.x.zhu@kpmg.con Southern China

Lilly Li Head of Tax,

Southern Region Tel. +86 (20) 3813 8999 lilly.li@kpmg.com

Penny Chen Tel. +1 (408) 367 6086 penny.chen@kpmg.com

Vivian Chen Tel. +86 (755) 2547 1198 vivian.w.chen@kpmg.com

Nicole Cao Tel. +86 (20) 3813 8619 nicole.cao@kpmg.cor

Sam Fan Tel. +86 (755) 2547 1071 sam.kh.fan@kpmg.com

Joe Fu Tel. +86 (755) 2547 1138 joe.fu@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no quarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such

© 2018 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. © 2018 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Ricky Gu Tel. +86 (20) 3813 8620 ricky.gu@kpmg.com

Fiona He Tel. +86 (20) 3813 8623 fiona.he@kpmg.com

Angie Ho Tel. +86 (755) 2547 1276 angie.ho@kpmg.com

Aileen Jiang Tel. +86 (755) 2547 1163 aileen.jiang@kpmg.com

Cloris Li Tel. +86 (20) 3813 8829 cloris.li@kpmg.con

Tel. +86 (755) 2547 1128

Jean Li

Patrick Lu

jean.j.li@kpmg.com Sisi Li Tel. +86 (20) 3813 8887 sisi.li@kpmg.com

Mabel Li Tel. +86 (755) 2547 1164 mabel.li@kpmg.com

Tel. +86 (755) 2547 1187 patrick.c.lu@kpmg.com

Grace Luo Tel. +86 (20) 3813 8609

Ling Lin Tel. +86 (755) 2547 1170 ling.lin@kpmg.com

Maria Mei Tel. +86 (592) 2150 807

Chris Xiao Tel. +86 (755) 38138630

Tel. +86 (755) 2547 1188

eileen.ah.sun@kpma.com

Michelle Sun Tel. +86 (20) 3813 8615

michelle.sun@kpma.com

Tel. +86 (20) 3813 8605

Lixin Zeng Tel. +86 (20) 3813 8812

Nicole Zhang Tel. +86 (20) 3813 8644

nicole.ll.zhang@kpmg.com

Curtis Ng Head of Tax, Hong Kong Tel. +852 2143 8709

curtis.ng@kpmg.com

Tel. +852 2826 7165

Tel. +852 2826 7226

Tel. +852 2826 7166

Tel. +852 2847 5108 yvette.chan@kpmg.com

Tel. +852 2143 8777

lu.l.chen@kpmg.com

Wade Wagatsuma

Tel. +852 2685 7806 wade.wagatsuma@kpmg.com

darren.bowdern@kpmg.com

Darren Bowdern

Yvette Chan

Lu Chen

Natalie To Tel. +852 2143 8509 natalie.to@kpmg.com

chris.abbiss@kpmg.com

ayesha.lau@kpmg.com

Ayesha M. Lau

Chris Abbiss

bin.yang@kpmg.com

lixin.zeng@kpmg.cor

maria.mei@kpmg.com

chris.xiao@kpmq.con

Eileen Sur

Bin Yang

Hong Kong

grace.luo@kpmg.com

Kelly Liao Tel. +86 (20) 3813 8668 kelly.liao@kpmg.com