

China Tax Weekly Update

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Effective Date: N/A

Relevant industries: E-commerce business

Relevant companies:
Companies carrying out cross-border e-commerce activities

Relevant taxes: N/A

Potential impacts on businesses:

- Operational costs reduced

You may click this linkage to access full content of the circular:

http://www.gov.cn/guowuyuan/2016-01/06/content_5031023.htm

Standing Meeting of the State Council Agreed to Set up New Cross-border E-commerce Comprehensive Pilot Zones in 12 Cities

In order to promote the development of cross-border e-commerce, on 7 March 2015, the State Council agreed to set up the Hangzhou Cross-border E-commerce Comprehensive Pilot Zone. At a standing meeting on 6 January 2016, the State Council agreed to set up new Cross-border E-commerce Comprehensive Pilot Zones in 12 cities, to support the development of foreign trade through new models.

Key points

- The newly-announced Cross-border E-commerce Comprehensive Pilot Zones include Tianjin, Shanghai, Chongqing, Hefei, Zhengzhou, Guangzhou, Chengdu, Dalian, Ningbo, Qingdao, Shenzhen and Suzhou. Among the 12 cities, 8 of which are eastern cities, 2 of which are central cities, and 2 of which are western cities.
- The following experience will be copied and promoted in the new Cross-border E-commerce Comprehensive Pilot Zones:
 - ❑ Formulating six systems, including information interconnection and sharing system among enterprises, financial institutions and regulatory authorities, one-stop online financial service system, intelligent logistics system which can be measured and controlled throughout the whole process, e-commerce credit system, and statistical monitoring system and risk prevention and control system for enterprise operation and government supervision
 - ❑ Building two platforms: "one window" online platform and "comprehensive park" offline platform, to realize information exchange among government authorities, mutual recognition of supervision, mutual assistance of regulatory and law enforcement, and to gather logistics, finance and other supporting facilities and services so as to build a complete industry chain and ecosystem for cross-border e-commerce

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Relevant industries: All
Relevant companies:
 High-tech companies
Relevant taxes: CIT

You may click this linkage to access full content of the circular:

http://www.gov.cn/guowuyuan/2016-01/13/content_5032643.htm

Standing Meeting of the State Council Determined to Improve the Administrative Measures on Recognition of High-tech Enterprises

On 13 January 2016, Premier Li Keqiang presided over the standing meeting of the State Council, deciding to revise the existing *Administrative Measures on the Recognition of High and New Technology Enterprises (HNTEs)* to give more priorities to small-to-medium sized enterprises. Expected changes of the new policy include:

Appropriate relaxing the recognition requirements	- Removing the requirement that the number of technology personnel with college degree and above accounts for more than 30% of the total number of employees of the year. Replacing it with the requirement that the ratio of technology personnel engaged in research and development (R&D) and relevant technological innovation activities is no less than 10% - While maintaining the requirement that the ratio of R&D expenses is no less than 3% or 4% for medium-to-large sized enterprises, reducing the ratio of R&D expenses for small enterprises from 6% to 5%
Changing of requirements on ownership of IP	Removing the condition that intellectual properties are acquired during the recent 3 years or exclusive rights are licensed for over 5 years, to encourage the enterprises to carry out independent R&D activities or technology transfer
Simplifying the recognition process and shortening the disclosure time	- Where a high-tech enterprise is relocated as a whole across different administrative regions during the valid period of its high-tech qualification, the qualification shall remain valid - Through various means including random inspection and inspection of key enterprises, to optimize the administration of high-tech enterprises
Expanding the key supported high-tech areas	Including some new technologies into the scope of supported technologies, such as additive manufacturing and application in the manufacturing sector, inspection, test and certification in the service sector as well as relevant technologies in cultural creation, e-commerce and modern logistics. Meanwhile, removing certain obsolete technologies from the support scope

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Relevant industries: All
Relevant companies: All
Relevant taxes: N/A

Potential impacts on businesses:

- Compliance costs reduced

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http://www.gov.cn/guowuyuan/2016-01/13/content_5032643.htm

Standing Meeting of the State Council Decided to Launch More Reform Measures on Streamlining Administration and Instituting Decentralization

On 13 January 2016, Premier Li Keqiang presided over the standing meeting of the State Council, deciding to launch a batch of more reform measures on streamlining administration and instituting decentralization to promote of market vitality.

Key points

- In addition to the approval items cancelled last year, removing over 150 more approval items including the approval of filing method of taxpayer, the pre-approval of issuance of corporate bonds by local enterprises, etc
- Removal of about 10 more department administrative approval items which restraint the innovation of enterprises
- Clean-up and standardization of 192 intermediary service items by removing or changing the model to intermediary agency entrusted by approval departments to offer services and reimburse the costs
- Integration of the hygiene licence and food business license of restaurants, cafes, bars and teahouses and all being licensed, supervised and responsible by the Food and Drug Administration Department
- In addition to the 4 batches of professional qualification licensing and recognizing items cancelled, removal of 61 more items including automobile sales agent, barista, registered human resource professional, etc. The meeting requires the relative departments to publish the national qualification list as soon as possible. No license or recognition shall be carried for qualifications outside the scope
- Revision of all relevant articles of 66 administrative regulations and addition of new articles to clarify the responsibilities of various departments and consummation of the measures of in-process supervision and post administration



Reference: SAT Announcement [2015] No. 99 (Announcement 99)

Issuance Date: 31 December 2015

Effective Date: 1 February 2016

Relevant industries: Cargo transportation industry

Relevant companies: VAT general taxpayer providing cargo transportation services

Relevant taxes: VAT

Potential impacts on businesses:

- Compliance costs reduced

You may click this linkage to access full content of the circular:

<http://www.chinatax.gov.cn/n810341/n810755/c1983655/content.html>

Reference: SAT & MIIT Announcement [2015] No. 96

Issuance Date: 28 December 2015

Effective Date: 1 February 2016

Relevant industries: All

Relevant companies: Companies who produce or import non-transport vehicles with fixing devices

Relevant taxes: Vehicle Purchase Tax

Potential impacts on businesses:

- Compliance costs reduced

You may click this linkage to access full content of the circular:

<http://www.chinatax.gov.cn/n810341/n810755/c1979877/content.html>

Notice regarding Certain Issues on Ceasing the Use of Special VAT Invoices for Cargo Transportation Industry

With the implementation of the upgraded VAT invoice system, on 31 December 2015, the State Administration of Taxation (SAT) issued Announcement 99 to cease the use of special VAT invoices for cargo transportation industry and clarify the relevant issues, in order to normalize the administration and facilitate the use of VAT invoices.

Key points

- Where the VAT general taxpayer provides cargo transportation services and uses special VAT invoices and normal VAT invoices, the VAT general taxpayer shall fill the information into the remarks column of the invoices upon issuing of the invoices, including the place of departure, destination, vehicle type and plate number as well as information of the cargos transported. A separate list could be provided if there is too much information.
- The special VAT invoices for cargo transportation industry may be used until 30 June 2016 and shall cease to be used on and after 1 July 2016.
- The information of stamp taxes collected by the railway transportation enterprises under entrustment arrangement may be filled into the remarks column of the invoices. China Railway Corporation and its affiliated transportation enterprises (including the branches) who provide cargo transportation services could start to use the special VAT invoices and normal VAT invoices from 1 November 2015. The railway cargo transportation invoices and receipts of miscellaneous transportation charges may be used as lists attached to the invoices.

Notice regarding Information Collection of Non-Transport Vehicles with Fixing Devices

On 14 May 2015, the State Council passed the decision on removal of non-administrative approval items which include the approval of "to be included in tax exempt atlas for Vehicle Purchase Tax". Accordingly, the State Administration of Taxation (SAT) revised the relevant articles of the *Measures of the Collection and Administration of Vehicle Purchase Tax* and issued the *Notice regarding Information Collection of Non-transport Vehicles with Fixing Devices* and clarified relevant issues.

Key points

- The SAT collects information of non-transport vehicles with fixing devices through the relevant system and then prepares and issues the tax exempt atlas.
- For domestically produced vehicles, the vehicle manufacturing enterprises shall fill in the information collection form and upload materials through the relevant system when first submit electronic information of the vehicle quality certificates for vehicles with same brand and model. For imported vehicles, the China representative offices of the vehicle manufacturing enterprises, sole agents or the companies/taxpayers who import the vehicles shall fill in the information collection form and upload materials through the relevant system when first submit electronic information of the vehicle quality certificates for vehicles with same brand and model.

Reference: N/A

Issuance Date: 1 January 2016

Effective Date: 1 January 2016

Relevant industries: All

Relevant companies: All

Relevant taxes: N/A

Potential impacts on businesses:

- Compliance costs reduced

You may click this linkage to access full content of the circular:

<http://www.chinatax.gov.cn/n810219/n810724/n1275550/c1981769/content.html>

Guidelines on Cooperation between the State Tax Bureau and the Local Tax Bureau (Version 2.0)

It has been half year since the publication of the *Guidelines on Cooperation between the State Tax Bureau (STB) and the Local Tax Bureau (LTB) (Version 1.0)*. In order to summarize the success experience and existing problems in the process of the implementation of Version 1.0 and implement the plan for further reform of the state tax and local tax collection administration system, the SAT issues *Guidelines on Cooperation between the STB and the LTB (Version 2.0)* on 1 January 2016.

Key points

Major upgrades	• Cooperation items increase from 32 to 44, basically cover all cooperate areas between the STB and the LTB in the current period and a period of time in future. • For each of the cooperative items, Version 2.0 summaries a variety of cooperation ways that can be copied and selected according to different situations. • The process of cooperation has been reorganized, and the work steps and cooperative model between STB and LTB have been further clarified. • Information-based supporting methods have been listed for each cooperative item.
More convenient measures to taxpayers	Further solving the problem of running through various departments for one tax matter • The STB and LTB at various levels take 14 specific measures to provide greater convenience to taxpayers to ensure that taxpayers do not need to make multiple trips to different departments. Further solving the problem of duplicated inspections by various departments for one tax matter • The STB and LTB at various levels take 18 specific measures including jointly determining the inspection target, jointly conducting tax audit, etc. Further solving the problem of submitting materials to various departments for one tax matter • The STB and LTB take 5 specific measures to share tax related information through the special tax internet. Further solving the problem of receiving different opinions from different departments for one policy • The STB and LTB take 3 specific measures including jointly conducting tax trainings, etc.

Reference: GAC

Announcement [2015] No. 69

Issuance Date: 28 December 2015**Effective Date:** 1 January 2016**Relevant industries:** All**Relevant companies:**

Companies who conduct import and export activities

Relevant taxes: Import and Export Customs Duties**Potential impacts on businesses:**

- Effective tax burden reduced/increased

You may click this linkage to access full content of the circular:

<http://www.customs.gov.cn/publish/portal0/tab49564/info782988.htm>

Notice regarding the Tariff Execution Plan 2016

The State Council has approved the *Tariff Execution Plan 2016*. Accordingly, the General Administration of Customs (GAC) issued the announcement to summarize the main contents of the plan which will be effective from 1 January 2016.

Key points

- Adjustment on import Customs Duty. The announcement adjusts part of the most favoured nation tariff, agreement tariff and preferential tariff. Ordinary tariff remains unchanged.
- Adjustment on export Customs Duty. The announcement lowers the export Customs Duty of high purity pig iron and other goods, and no longer imposes export Customs Duty on phosphoric acid, etc.
- Adjustment on tariff items. Upon adjustment, tariff items of *2016 Customs Tariff of Import and Export Commodities* account for 8,294.



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