

# China Tax Weekly Update

ISSUE 13 | April 2016

Reference: SAT  
Announcement [2016] No. 13  
/ 14 / 15 / 16 / 17 / 18 / 19  
Issuance date: 31 March  
2016  
Effective date: 1 May 2016  
(Announcement 13 will take  
effective from 1 June 2016)

Relevant industries: All  
(especially for industries of  
construction, real estate,  
financial and lifestyle  
services)

Relevant companies: All  
(especially for enterprises  
engaged in construction, real  
estate, finance and lifestyle  
services)

Relevant taxes: VAT

Potential impacts on  
businesses:

- Compliance risks due to regulatory uncertainties reduced
- Preparation of VAT reform needs to speed up for specific industries
- Need to pay attention to the impact of regulatory changes for other industries
- Effective tax burden reduced

You may click the circular titles to access full content of the circulars.

## State Administration of Taxation (SAT) issues detailed VAT reform interpretation guidance

In order to help better implement the new VAT rules *Measures for Implementation of the Pilot Program of VAT Reform (Cai Shui [2016] No. 36, "Circular 36")*, SAT issued 7 detailed interpretation announcements on certain issues of the VAT reform on 7 April 2016. Among the 7 announcements, Announcement 13 will take effective from 1 June 2016, while others will come into force from 1 May 2016.

- ❑ [SAT Announcement on Matters Concerning VAT Filings after the Overall Implementation of VAT Reform Pilot Program \(SAT Announcement \[2016\] No. 13, "Announcement 13"\)](#)
  - Announcement 13 publishes the new VAT filing forms and the appendices, other filing documents and the relevant filing instructions. VAT general taxpayers and small-scale tax payers will be subject to different filing forms. The filing forms and the appendices are mandatory filing documents, while the filing requirements in relation to other filing documents shall be determined by the provincial state tax authorities at their discretion.
  - All VAT taxpayers (including the VAT taxpayers falling within the pilot program under Circular 36 and the original VAT taxpayers) shall all use the new VAT filing forms and follow the requirements under Announcement 13.
- ❑ [SAT Announcement on the Interim Measures for VAT Collection and Administration on the Transfer of Immovable Properties by Taxpayers \(SAT Announcement \[2016\] No. 14, "Announcement 14"\)](#)
  - Announcement 14 clarifies the applicable VAT policies for the transfer of immovable properties which are acquired by the general VAT taxpayers, small-scale VAT taxpayers, individual taxpayers and other taxpayers. Acquired immovable properties include immovable properties acquired through a wide variety of ways, including direct purchase, acceptance of donation, acceptance of investment, self-constructed as well as debt offsetting, etc.
  - Announcement 14 is not applicable to the sale of self-developed real estate projects by real estate development enterprises.

- ❑ [\*SAT Announcement on the Interim Measures for the Staged Input Tax Credit on Immovable Properties \(SAT Announcement \[2016\] No. 15, "Announcement 15"\)\*](#)

  - Announcement 15 details the staged input tax credit policy on immovable properties acquired which was introduced in Circular 36 for the first time. (For immovable properties acquired by general VAT taxpayers after 1 May 2016 and accounted for as fixed assets in the accounting record, the relevant input tax shall be credit against output VAT within 2 years. The credit proportion is 60% for the first year and 40% for the second year. This policy is also applicable for immovable properties under construction generated after 1 May 2016.)
  - Taxpayers should obtain legitimate and valid tax vouchers that are issued after 1 May 2016 for the purpose of the input tax credit. 60% of the relevant input tax is allowed to be credit against output VAT in the first month when the taxpayer obtains the tax voucher, while the remaining 40% is the input tax to be credited and can be credit against output VAT in the 13th months after the taxpayer obtains the tax voucher.
  - Announcement 15 also clarifies the specific treatments for other different situations, such as the sale, abnormal loss or other change of usage of the immovable properties, and deregistration of the taxpayer, etc.
- ❑ [\*SAT Announcement on the Interim Measures for VAT Collection and Administration on Operating Lease of Immovable Properties by Taxpayers \(SAT Announcement \[2016\] No. 16, "Announcement 16"\)\*](#)

  - Announcement 16 clarifies the applicable VAT policies for operating lease of immovable properties acquired by general VAT taxpayers and small-scale VAT taxpayers respectively. Acquired immovable properties include immovable properties acquired through a wide variety of ways, including direct purchase, acceptance of donation, acceptance of investment, self-constructed as well as debt offsetting, etc.
- ❑ [\*SAT Announcement on the Interim Measures for VAT Collection and Administration on Cross-County \(City, District\) Provision of Construction Services by Taxpayers \(SAT Announcement \[2016\] No. 17, "Announcement 17"\)\*](#)

  - Taxpayers who provide cross-county (city, district) construction services shall prepay VAT to the state tax bureau where the construction services tax place. The taxpayers must then make filings and payment to the state tax bureau where the taxpayer locates afterwards.
  - Announcement 17 clarifies the detailed filing and prepayment requirements on taxpayers (except individuals) who provide cross-county (city, district) construction services, and the other relevant matters such as the deduction certificate for sub-contracting fees, etc.
- ❑ [\*SAT Announcement on the Interim Measures for VAT Collection and Administration on the Sales of Self-developed Real Estate Projects by Real Estate Development Enterprises \(SAT Announcement \[2016\] No. 18, "Announcement 18"\)\*](#)

  - Announcement 18 clarifies the detailed requirements for VAT collection and administration requirements on sales of self-developed real estate projects by real estate development enterprises. The announcement clarifies different requirements on general VAT taxpayers and small-scale VAT taxpayers. It also clarifies the respective detailed requirements, including the calculation of sales amount, prepayment of tax, input tax creditable, and other specific provisions such as tax declaration and invoice issues, etc.

- ❑ [\*SAT Announcement on Entrusting the Local Tax Authorities to Collect Taxes and Issue VAT Invoices after the VAT Reform \(SAT Announcement \[2016\] No. 19, "Announcement 19"\)\*](#)
  - Announcement 19 clarifies that after the implementation of the VAT reform, the local tax authorities shall continue to be responsible for handling the declaration of tax filing and payment with respect to the sales of acquired immovable properties by taxpayers and the lease of immovable properties by individuals. The local tax authorities will also be responsible for issuing the relevant VAT invoices.

In addition to the above announcements, the Goods and Services Department of SAT also issued a piece of [\*Q&A on the Fully Implementation of VAT Reform by 12366\*](#) on its website, which includes specific answers to 158 hot issues in Circular 36.

\* On the occurrence of the Circular 36 announcement, KPMG immediately issued a series of China Tax Alerts to provide an overview of the high level policies and general impacts across all industries. Focusing on construction, real estate, finance and lifestyle services, at the same time, we also issued specific alerts for each of the three major industries affected by these changes. You may click the following links to read:

- ❑ [\*China Tax Alert: China's new VAT rates & rules – High level policies and general impacts across all industries \(Issue 9, March 2016\)\*](#)
- ❑ [\*China Tax Alert: China's new VAT rates & rules – Financial Services impacts \(Issue 10, March 2016\)\*](#)
- ❑ [\*China Tax Alert: China's new VAT rates & rules – Lifestyle Services impacts \(Issue 11, March 2016\)\*](#)
- ❑ [\*China Tax Alert: China's new VAT rates & rules - Real Estate & Construction industry impacts \(Issue 12, March 2016\)\*](#)

Reference: Cai Guan Shui [2016] No.16  
 Issuance date: 4 March 2016  
 Effective date: 1 January 2016

Relevant industries: Energy industry  
 Relevant companies: Enterprises which import nature gas  
 Relevant taxes: Import VAT

Potential impacts on businesses:

- Effective tax burden may increase/reduce

You may click [here](#) to access full content of the circular.

## Preferential tax policies for imported natural gas adjusted

On 4 March 2016, the Ministry of Finance (MOF), the General Administration of Customs (GAC) and the SAT jointly issued Cai Guan Shui [2016] No. 16 to adjust the relevant preferential tax policies on imported natural gas.

- From 1 January 2016, the sales price of liquid natural gas will be set at RMB28.34/GJ, while that of pipeline natural gas will be set at RMB1.00/m<sup>3</sup>.
- From October to December in 2015, the sales price of liquid natural gas should be RMB33.58/GJ, while that of pipeline natural gas should be RMB1.19/m<sup>3</sup>.

\* As is provided in Cai Guan Shui [2014] No. 67, from October 2014 to September 2015, the sales price of liquid natural gas was set as RMB38.82/GJ, while that of pipeline natural gas as RMB1.37/m<sup>3</sup>. There is a steady reduction for the newly-set sales price for both liquid natural gas and pipeline natural gas.

\* As is provided in Cai Guan Shui [2011] No. 39 ("Circular 39"), from 1 January 2011 to 31 December 2020, in cases where the import price of natural gas (including liquid natural gas) for imported natural gas projects approved by the State is higher than the set sales price, import VAT on the difference will be returned. You may click [here](#) to access full content of Circular 39.

Reference: MOFCOM Announcement [2016] No. 9 and No. 10  
 Issuance date: 1 April 2016  
 Effective date: N/A

Relevant industries: Import and export industries  
 Relevant companies: Enterprises that import acrylic fibers and electrical steel  
 Relevant taxes: N/A

Potential impacts on businesses:

- Operational costs increased

You may click [here](#) to access full content of the Announcement No. 9 and click [here](#) to access full content of the Announcement No. 10.

## Ministry of Commerce (MOFCOM) issues preliminary determinations of anti-dumping investigations to certain imported products

In MOFCOM Announcement [2016] No. 9 and No. 10 released on 1 April 2016, the MOFCOM issued preliminary determinations of anti-dumping investigations concerning imported acrylic fibers (originally produced in Japan, South Korea and Turkey) and imported electrical steel (originally produced in Japan, South Korea and the European Union).

MOFCOM determines that there are dumping activities of involved products. The relevant domestic industries have been substantially damaged, and there are causal relations between the dumping and the substantial damages. Therefore, beginning from 2 April 2016, importers of the above-mentioned products should pay a corresponding security deposit to the China Customs based on their specific security percentage.

\* Specific security percentage ranges are as follows:

- Imported acrylic fibers: 6.1% - 17.8%
- Imported electrical steel: 14.5% - 46.3%

Reference: Cai Shui [2016] No. 28

Issuance date: 11 March 2016

Effective date: 1 January 2016

Relevant industries: National commodity reserve industry

Relevant companies:

Qualified commodity management companies and the subordinate storehouses

Relevant taxes: Stamp duty / Property Tax / Urban Land Use Tax

Potential impacts on businesses:

- Effective tax burden reduced

You may click [here](#) to access full content of the circular.

## Tax preferential policies on certain national commodity reserve enterprises

On 11 March 2016, the MOF and the SAT jointly issued Cai Shui [2016] No. 28 to provide tax preferential policies to certain national commodity reserve enterprises. These enterprises include: Reserve management company (entrusted by the central government) and its subordinate storehouses, COFCO Corporation and its subordinate storehouses. The detailed preferential policies are as follows:

- The capital accounts are exempt from Stamp Duty; and the sale and purchase contracts for commodity reserves businesses are exempt from Stamp Duty
- The self-used real estates and lands for the purpose of commodity reserves are exempt from Property Tax and Urban Land Use Tax

The circular is effective from 1 January 2016 to 31 December 2018. The enterprises which had paid the relevant taxes from 1 January 2016 shall enjoy a tax deduction from other tax payables of the corresponding tax.

Reference: GAC Announcement [2016] No. 21 and No. 22

Issuance date: 28 & 29 March 2016

Effective date: 1 May 2016

Relevant industries: Import and export industries

Relevant companies:

Import and export companies

Relevant taxes: Import and Export Customs Duty / Import VAT / Import Consumption Tax

Potential impacts on businesses:

- Compliance risks due to regulatory uncertainties reduced

You may click [here](#) and [here](#) to access full content of the circulars.

## GAC decisions on the HS code classification of certain products (II) & (III) for 2016

On 29 March 2016, the GAC issued Announcement [2016] No.21 and 22 to announce the decisions on the HS code classification of the following products, effective from 1 April and 1 May 2016 respectively:

Product name	HS code	Customs Duty rate	Effective date
NVIDIA SHIELD	9504.5019	0	1 April 2016
PlayStation®VR	9504.5011	0	1 April 2016
Red Bull Energy Drink	2202.1000	20%	1 May 2016
Protein Purification Apparatus	8479.8999	0	1 May 2016



For any enquiries, please send to our public mailbox: [taxenquiry@kpmg.com](mailto:taxenquiry@kpmg.com) or contact our partners/directors in each China/HK offices.

#### Khoonming Ho

Head of Tax,  
KPMG China  
Tel. +86 (10) 8508 7082  
khoonming.ho@kpmg.com

#### Beijing/Shenyang David Ling

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

#### Tianjin

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

#### Qingdao Vincent Pang

Tel. +86 (532) 8907 1728  
vincent.pang@kpmg.com

#### Shanghai/Nanjing Lewis Lu

Tel. +86 (21) 2212 3421  
lewis.lu@kpmg.com

#### Chengdu Anthony Chau

Tel. +86 (28) 8673 3916  
anthony.chau@kpmg.com

#### Hangzhou

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

#### Guangzhou Lilly Li

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

#### Hong Kong Karmen Yeung

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

#### Northern China

##### David Ling

Head of Tax,  
Northern Region  
Tel. +86 (10) 8508 7083  
david.ling@kpmg.com

##### Vaughn Barber

Tel. +86 (10) 8508 7071  
vaughn.barber@kpmg.com

##### Andy Chen

Tel. +86 (10) 8508 7025  
andy.m.chen@kpmg.com

##### Yali Chen

Tel. +86 (10) 8508 7571  
yali.chen@kpmg.com

##### Milano Fang

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

##### Tony Feng

Tel. +86 (10) 8508 7531  
tony.feng@kpmg.com

##### John Gu

Tel. +86 (10) 8508 7095  
john.gu@kpmg.com

##### Helen Han

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

##### Naoko Hirasawa

Tel. +86 (10) 8508 7054  
naoko.hirasawa@kpmg.com

##### Josephine Jiang

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

##### Henry Kim

Tel. +86 (10) 8508 5000  
henry.kim@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

##### Simon Liu

Tel. +86 (10) 8508 7565  
simon.liu@kpmg.com

##### Alan O'Connor

Tel. +86 (10) 8508 7521  
alan.oconnor@kpmg.com

##### Vincent Pang

Tel. +86 (10) 8508 7516  
+86 (532) 8907 1728  
vincent.pang@kpmg.com

##### Shirley Shen

Tel. +86 (10) 8508 7586  
yinghua.shen@kpmg.com

##### State Shi

Tel. +86 (10) 8508 7090  
state.shi@kpmg.com

##### Joseph Tam

Tel. +86 (10) 8508 7605  
laiyu.tam@kpmg.com

#### Michael Wong

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

#### Jessica Xie

Tel. +86 (10) 8508 7540  
jessica.xie@kpmg.com

#### Irene Yan

Tel. +86 (10) 8508 7508  
irene.yan@kpmg.com

#### Jessie Zhang

Tel. +86 (10) 8508 7625  
jessie.j.zhang@kpmg.com

#### Sheila Zhang

Tel. +86 (10) 8508 7507  
sheila.zhang@kpmg.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

#### Central China

##### Lewis Lu

Head of Tax,  
Eastern & Western Region  
Tel. +86 (21) 2212 3421  
lewis.lu@kpmg.com

##### Anthony Chau

Tel. +86 (21) 2212 3206  
anthony.chau@kpmg.com

##### Cheng Chi

Tel. +86 (21) 2212 3433  
cheng.chi@kpmg.com

##### Cheng Dong

Tel. +86 (21) 2212 3410  
cheng.dong@kpmg.com

##### Marianne Dong

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

##### Alan Garcia

Tel. +86 (21) 2212 3509  
alan.garcia@kpmg.com

##### Chris Ge

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

##### Chris Ho

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

##### Dylan Jeng

Tel. +86 (21) 2212 3080  
dylan.jeng@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

##### Christopher Mak

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

#### Henry Ngai

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

#### Yasuhiko Otani

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

#### Ruqiang Pan

Tel. +86 (21) 2212 3118  
ruqiang.pan@kpmg.com

#### Amy Rao

Tel. +86 (21) 2212 3208  
amy.rao@kpmg.com

#### Wayne Tan

Tel. +86 (28) 8673 3915  
wayne.tan@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 (21) 2212 3438  
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

#### Henry Wong

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

#### Grace Xie

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

#### 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

#### 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.b.zhou@kpmg.com

#### 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

##### Sam Fan

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

#### Joe Fu

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

#### 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

#### Ryan Huang

Tel. +86 (20) 3813 8621  
ryan.huang@kpmg.com

#### Cloris Li

Tel. +86 (20) 3813 8829  
cloris.li@kpmg.com

#### Jean Li

Tel. +86 (755) 2547 1128  
jean.li@kpmg.com

#### Kelly Liao

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

#### Grace Luo

Tel. +86 (20) 3813 8609  
grace.luo@kpmg.com

#### Maria Mei

Tel. +86 (592) 2150 807  
maria.mei@kpmg.com

#### Eileen Sun

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

#### Michelle Sun

Tel. +86 (20) 3813 8615  
michelle.sun@kpmg.com

#### Bin Yang

Tel. +86 (20) 3813 8605  
bin.yang@kpmg.com

#### Lixin Zeng

Tel. +86 (20) 3813 8812  
lixin.zeng@kpmg.com

#### Hong Kong

##### Ayesha M. Lau

Head of Tax, Hong Kong  
Tel. +852 2826 7165  
ayasha.lau@kpmg.com

##### Chris Abbiss

Tel. +852 2826 7226  
chris.abbiss@kpmg.com

##### Darren Bowdern

Tel. +852 2826 7166  
darren.bowdern@kpmg.com

##### Yvette Chan

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

##### Lu Chen

Tel. +852 2143 8777  
lu.l.chen@kpmg.com

##### Rebecca Chin

Tel. +852 2978 8987  
rebecca.chin@kpmg.com

##### Matthew Fenwick

Tel. +852 2143 8761  
matthew.fenwick@kpmg.com

#### Barbara Forrest

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

#### Sandy Fung

Tel. +852 2143 8821  
sandy.fung@kpmg.com

#### Stanley Ho

Tel. +852 2826 7296  
stanley.ho@kpmg.com

#### Daniel Hui

Tel. +852 2685 7815  
daniel.hui@kpmg.com

#### Charles Kinsley

Tel. +852 2826 8070  
charles.kinsley@kpmg.com

#### John Kondos

Tel. +852 2685 7457  
john.kondos@kpmg.com

#### Kate Lai

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

#### Jocelyn Lam

Tel. +852 2685 7605  
jocelyn.lam@kpmg.com

#### Alice Leung

Tel. +852 2143 8711  
alice.leung@kpmg.com

#### Steve Man

Tel. +852 2978 8976  
steve.man@kpmg.com

#### Ivor Morris

Tel. +852 2847 5092  
ivor.morris@kpmg.com

#### Curtis Ng

Tel. +852 2143 8709  
curtis.ng@kpmg.com

#### Benjamin Pong