

China Business Advisory

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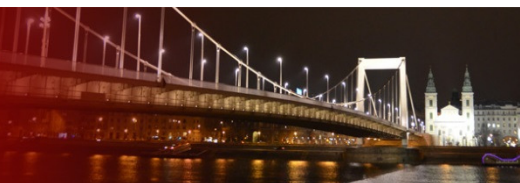


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2. Service Highlight

Update on Taxpayer Credit Rating System

In 2014, the State Administration of Taxation (“SAT”) issued Announcement No. 40, Taxpayer Credit Administrative Measures (Trial), (“Announcement No. 40”) to

rate taxpayers who have completed tax registration for the ordinary course of business with an accounting book-based levy approach. These measurements have become outdated after years of implementation as they are unable to cater to the fast changing business and regulatory environment.

In order to improve the rating system, SAT issued another notice, Announcement No. 8, on 1st February 2018. The key points are listed below,

1. Inclusion of three new types of enterprises in the tax credit rating system
 - New enterprises registered no more than a year
 - Enterprises without any revenue during the year
 - Enterprises registered with an assessment-based levy approach

2. Specification of time limit for the rating assessment of the above enterprises
3. Addition of the “M-level” categorization which is applicable to new enterprises and enterprises without revenue for a year with a score of more than 70 in the annual assessment. Both of which should have no activities that would negatively affect their tax credit under this regulation
4. M-level enterprises will enjoy certain incentives including online value-added tax (“VAT”), special invoice authentication and tax guidance provided by the authority

Announcement No. 8, which will become effective on 1st April 2018, also stresses that the tax credit rate of taxpayers is not fixed, whereby the authority can adjust it according to their performance.

Release of Measures for Enterprise Annuity

The Ministry of Human Resources and Social Security and Ministry of Finance jointly issued the “Measures for Enterprise Annuity” to regulate the annuity schemes of enterprises in addition to the basic endowment insurance. The measures were released on 18th December 2017 and came into force on 1st February 2018.

Below are the main points of the regulation,

1. Enterprise annuity is defined as the voluntary supplementary endowment insurance in addition to the required basic scheme of enterprises

2. The total contribution paid by employers and employees is limited at 12% of the total salary, whereby the employer's contribution should be no more than 8% of the total salary of the enterprise
3. The maximum amount paid to individual accounts shall not exceed five times the average amount in the period
4. When the employee reaches the retirement age stipulated by the state, is completely incapacitated or emigrates overseas, he/she would receive the enterprise annuity. It is also inheritable in case of death

Revised Administrative Measures of VAT General Taxpayer Registration

A large number of regulations have been released, updated or abolished during the VAT reform in the past few years. On 29th December 2017, SAT amended the “Administrative Measures of VAT General Taxpayer Registration”.

The main updates are as follows:

1. Clarification that individuals and taxpayers who choose to be small-scale VAT taxpayers are not eligible for VAT general taxpayer registration
2. Clarification on the definition of taxable sales whereby quarterly-based calculation and exclusion of occasional sales such as selling intangible assets and immovable properties are allowed

3. Further information on the application for VAT general taxpayer qualification where the application should be made within 15 days after the annual taxable sales have exceeded the specified thresholds. If a taxpayer fails to do so, the tax authority will issue a notice within 5 days to urge the taxpayer to register within 5 days. If the taxpayer fails again to register before the deadline, VAT credit will be no longer allowed with application of tax rates of a VAT general taxpayer

4. Taxpayers are given the discretion to choose either the current month of registration or the following month as the effective time

Temporary Regulation Adjustments in Free Trade Zones

On 27th December 2017, the State Council released a decision, Guofa [2017] No. 57, to announce temporary adjustments of 16 regulations within the Free Trade Zones across the country to provide a more open and convenient regulatory environment to investors and mitigate the administrative burden.

These regulations are mostly related to the Catalog of Industry Guidance for Foreign Investments (2017 Version) and include regulations for industries such as education, aviation, transportation, entertainment, direct sales, tourism etc. It is expected that local governments will release local updates shortly which are potentially beneficial to investors.

Service Highlight

It is evident that the Chinese government is putting in continuous effort to create a business environment that is more open and relaxed. This in turn will foster economy growth and benefit investors.

We are committed to providing clients with advice on how to leverage on the changes in the business environment of China. Our Marketing Executive, Ms. Kimme Chan, would like to hear from you at (852) 3579 8745 or kimmechan@sinobridge-consulting.com to learn of how we could assist you with your business.

Our China Investment Business Advisory Team

Hong Kong

Room 2301-02, 23/F, Prosperity Center,
25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong

Guangzhou

Room A13, 16/F, Vili International, 167 Linhexilu, Tianhe
District, Guangzhou PRC 510000

Website: www.sinobridge-consulting.com

E-mail: info@sinobridge-consulting.com

Telephone: (852) 3579 8745

Shanghai

Room 30A, 30/F, World Plaza, No.855, South Pudong
Road, Pudong New Area, Shanghai, PRC 200120

Lyon Odiceo

115 Boulevard Stalingrad – BP52038,
69616 Villeurbanne Cedex, France

Hong Kong

Guangzhou

Shanghai

Lyon

For any enquiries, please contact Ms. Kimme Chan, Marketing Executive: kimmechan@sinobridge-consulting.com Tel: (852) 3579 8745