

China Business Advisory

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Preferential CIT Policies on the Integrated Circuit and Software Industry

On 11th December 2020, the Ministry of Finance (“MOF”), the State Taxation Administration (“STA”), the National Development and Reform Commission

(“NDRC”), and the Ministry of Industry and Information Technology (“MIIT”) jointly issued <Corporate Income Tax (“CIT”) Policies for Promoting the High-quality Development of the Integrated Circuit (“IC”) and Software Industry> (Announcement [2020] No.45) which updates tax incentives to taxpayers in the two industries as below:

| Beneficiary | IC Line Width (nm) | Operating Period (Year) | CIT Holiday | |
|-----------------------------------------------------|--------------------|-------------------------|----------------------------------------|-----------------------------------------------|
| | | | Exempt | Reduced |
| Encouraged IC manufacturing enterprises or projects | ≤28 | >15 | 1 st ~10 th year | N/A |
| | ≤65 | >15 | 1 st ~5 th year | 6 th ~10 th year, 12.5% |
| | ≤130 | >10 | 1 st ~2 nd year | 3 rd ~5 th year, 12.5% |

| Beneficiary | IC Line Width (nm) | Operating Period (Year) | CIT Holiday | |
|------------------------------------------------------------------------------------------------|--------------------|-------------------------|---------------------------------------|----------------------------------------------|
| | | | Exempt | Reduced |
| Encouraged IC design/equipment /materials/packaging/testing companies and software enterprises | N/A | N/A | 1 st ~2 nd year | 3 rd ~5 th year, 12.5% |
| Encouraged key IC design companies and software enterprises | N/A | N/A | 1 st ~5 th year | 10% for subsequent years |

The above tax holidays or incentives start from the first profit-making year for enterprises, and the first year that revenue arising from production or operation for projects. The Announcement [2020] No.45 took effect on 1st January 2020 retrospectively.

Exemption of Vehicle Purchase Tax on Non-transport Special Operation Vehicles with Fixed Devices

On 5th Dec 2020, STA and MIIT jointly released <Announcement on Management Matters Concerning the Exemption of Vehicle Purchase Tax on Non-transport Special Operation Vehicles with Fixed Devices> (Notice [2020] No.20) to clarify tax incentive for vehicles designed and manufactured primarily for special operation rather than transport of passengers or goods.

STA and MIIT will maintain a catalogue for the approved vehicles. Manufacturers, importers or individuals have to submit required documents to apply for being listed in the catalogue to enjoy tax exemption. To ease the procedures, the authorities also attached a list of vehicles which are exempt from the aforementioned application to Notice [2020] No.20. This incentive came into force on 1st January 2021.

Support policies for “Little Giant” enterprises

On 23rd January 2021, STA and MIIT jointly issued <Notice to Support High-quality Development of Small and Medium-sized Professional, Precise, Specialized and Innovative Enterprises> (Caijian [2021] No.2), aiming to promote innovation and high-quality development of micro, small and medium-sized enterprises.

The government will arrange funding of over CNY10 billion in three installments from 2021 to 2025 to support about 1,000 aforementioned small businesses at the state level (so-called “Little Giant” enterprises), which are selected to be role models for the whole nation, and also support certain state- or province-level public service platforms for small businesses to foster about 10,000 small businesses to be state-level Little Giant enterprises.

Service Highlight

For most of enterprises, 2020 is a challenging year. China government released a series of preferential policies to help companies ride out a storm. On the other hand, China is making great efforts to promote innovative development for the sake of long-term competence. For any questions or needs, you are more than welcome to dial the number (852) 3579 8745 or contact our marketing executive Miumiu Chan by email miumiuchan@sinobridge-consulting.com.

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