

## China Business Advisory

2017 Issue 6

June 2017

### TABLE OF CONTENTS

#### 1. China Updates

- ✧ Tightening of VAT General Invoices Issuance Requirements
- ✧ CIT Deductions for Advertising and Marketing Expenses
- ✧ Beneficial IIT Changes for Commercial Health Insurance Products

#### 2. Service Highlight

### Tightening of VAT General

### Invoices Issuance

### Requirements

On 19<sup>th</sup> May 2017, the State Administration of Taxation (“SAT”) released Announcement SAT [2017] No.16 which tightens the

requirements on how Buyers, in the form of enterprises, will obtain and Sellers will issue Value-added Tax (“VAT”) general invoices. The new measures will be effective from 1<sup>st</sup> July 2017.

The key points include:

Enterprises (companies, non-corporate businesses with legal entities status, branches, sole-proprietorship enterprises, partnerships or other enterprises as Buyers) should provide their tax ID numbers or unified social credit codes to the Sellers to fill in the corresponding part of the VAT general invoices. Invoices that do not comply with this new rule will not be treated as valid tax supporting documents for the purpose of tax deduction, tax refund or other tax matters.

Sellers are required to specify and validate the actual sales amount and name/nature of items concerned on VAT general invoices. Particular care must be exercised when VAT control systems are linked with sales platforms to ensure invoices are consistent with the actual transactions. Artificial input of invoice (i.e. issuing an invoice at the request of the Buyer that does not reflect the actual transaction) is forbidden. We suggest that relevant tax payers should take appropriate actions, such as providing guidelines and training to all pertinent parties to avoid potential tax risks and losses.

## **CIT Deductions for Advertising and Marketing Expenses**

SAT and Ministry of Finance (“MOF”) jointly issued Caishui [2017] No. 41 (“Circular 41”) on 27<sup>th</sup> May 2017 to extend the validity period of the policy on Corporate Income Tax (“CIT”) deduction of advertising and marketing expenses. Circular 41 is a renewal of Circular 48, which expired on 31<sup>st</sup> December 2015, took effect from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2020 retrospectively.

This policy allows businesses to deduct no more than 30 percent of their annual turnover for their advertising and marketing expenses if they are manufacturers or sellers cosmetic, manufacturers of pharmaceutical or non-alcoholic beverage products. The excess amount could be carried forward to subsequent tax years. Regarding companies who are related-parties and have an advertising and marketing expenses sharing agreement, such expenses within a company’s deduction limit could be transferred to another company for deduction according to the expenses sharing agreement on the top of its own deduction limit.

## **Beneficial IIT Changes for Commercial Health Insurance Products**

Announcement SAT [2017] No.17 was released on 19<sup>th</sup> May 2017 to clarify the implementation policies on Caishui [2017] No.39, which had been jointly released by SAT, MOF and China Insurance Regulatory Commission (“CIRC”) to allow Individual Income Tax (“IIT”) deduction for individuals with continuous remunerations taking out eligible commercial health insurance. Insured individuals paying premium for such insurance are eligible for a maximum of RMB2,400 IIT deduction per annum. The key measures of Announcement No.17 are as follows:

- “Continuous remunerations” refers to the period of receiving continuous remunerations from the same entity for 3 months or more;
- Individuals are required to provide the relevant insurance policy documents to the withholding agent in good time. The withholding agents cannot reject and should deduct the eligible premiums paid by the individuals from his/her taxable income. Only one commercial health insurance policy can be chosen for IIT deduction for individuals who have received remunerations from more than one entities in Mainland China. Individuals are required to inform the withholding agent to cease the IIT deduction if the policies have not been renewed or surrendered;
- Insurers shall issue the relevant policies and invoices with tax identification code to individuals who have purchased the qualified commercial health insurance products. No IIT deduction is allowed for documents without tax identification code;

- Tax identification code is issued to individuals based on the principle of “one person, one policy and one code” from the Commercial Health Insurance Information Platform which is to ensure the uniqueness, authenticity and validity of the policy;
- This announcement shall come into force on 1<sup>st</sup> July 2017.

## Service Highlight

It is evident that the Chinese government is eager to improve the business environment for foreign investors. Sino-Bridge is in a position to help investors to capitalise on such development by identifying and seizing investment opportunities with promising growth potential. For further information on how we can be of assistance to your company, please contact our Marketing Executive, Ms. Kimme Chan, at (852) 3579 8745 or [kimmechan@sinobridge-consulting.com](mailto:kimmechan@sinobridge-consulting.com).

## 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

### 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

**Website:** [www.sinobridge-consulting.com](http://www.sinobridge-consulting.com)

**E-mail:** [info@sinobridge-consulting.com](mailto:info@sinobridge-consulting.com)

**Telephone:** (852) 3579 8745

**Hong Kong**

**Guangzhou**

**Shanghai**

**Lyon**

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