

China Business Advisory

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Reduction in Value Added Tax Rates

On 5th March 2019, Premier Mr. Li Ke Qiang delivered a government work report on behalf of the State Council (“SC”) to the National People's Congress, announcing plans for further decrease of Value Added Tax

(“VAT”) rates which will benefit businesses and consumers with the objective of boosting the economy.

The planned changes are listed as follows:

Current VAT Rate	New VAT Rate	Affected Businesses
16%	13%	Manufacturing, sales and processing of goods, repairs and replacement services, tangible chattel leasing services and goods import, etc.
10%	9%	Transportation services, post, construction, basic telecommunication, lease of immovable property, transfer of land-use right, sales and import of agricultural products, etc.

According to the government work report, there will be no change to the VAT rate of 6%, which is applicable to financial services, technical services, information technology services, culture and creation services, logistics auxiliary services, etc.

The effective date of the above changes has not been indicated in the announcement. The State Administration of Tax (“SAT”) is expected to issue formal notice of the effective date and release detailed rules in succession shortly.

Taxpayers should review relevant factors and take proper advance actions so as to be well prepared for this change. For example:

- How to deal with sales at the current VAT rates but return after the new rates becomes effective;
- How to handle signed contracts which stipulate VAT inclusive prices without specific rates;
- How to adjust selling prices of corresponding products/services;
- How to modify internal systems and procedures to accommodate the changes.

Additional Flexibilities for VAT Administration

In order to further improve the business environment for small and micro businesses, SAT issued Notice No.8 [2019] on 3rd February 2019 to provide more flexibilities for VAT administration.

The main contents are listed below.

- Since 1st August 2018, SAT carried out a pilot program to allow Small-Scale Taxpayers in industries of accommodation, certification and consulting, construction, information transmission, software and information technology services to issue special VAT invoices using a device provided to them (other Small-Scale Taxpayers will need to visit the in charge tax authorities to issue special VAT invoices);
- From 1st March 2019, Small-Scale Taxpayers in industries of leasing and commercial services, scientific research and technology services, residential services, repair and other services will be added into the above pilot program;

- Commencing from 1st March 2019, all General VAT taxpayers do not need to undertake VAT invoices verification process and can use a platform provided by the tax authorities to select and confirm VAT invoices to process input VAT deduction, tax refund for export, etc.

Simplified Customs Registration Procedures

As part of the effort to simplify administrative procedures to facilitate business operations, the General Administration of Customs (“GAC”) and the State Administration for Market Regulation (“SAMR”) jointly released Notice No.14[2019] specifying simplified procedures for establishing a company in China.

Previously, separate registrations with different authorities including the customs authority are required as part of the process to set up a company.

In addition to recent efforts to simplify company setup procedures, Notice No.14[2019] provides the following additional facilitating arrangements, which becomes effective from 1st February 2019:

- ✓ Companies, which are already in the process of establishment and require registration with the customs authority, could choose to request registration with the customs authority when submitting registration documents to SAMR.
- ✓ No separate application documents to the customs authority which will receive relevant information from SAMR and process review and approval directly.
- ✓ The customs authority will not issue paper registration certificates. Companies could download the certificates from the official website and ask the local customs authority to stamp on it for authentication.
- ✓ If the company has not choosing the option when applying for business registration with SAMR, it can complete the registration with customs authority through the official online registration systems.

Service Highlight

It is evident that the Chinese government is putting continuous effort to create a business environment that is more open and relaxed. Also, the Chinese government keeps improving the domestic regulations and simplifying the administrative processes to lighten the compliance requirements for foreign 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 Rika Wong, would like to hear from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com to learn of how we could assist you with your business.

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