

China Business Advisory

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Additional Policies Relating to Value Added Tax to Support Businesses During the “COVID-19” Epidemic

In view of the ‘COVID-19’ epidemic, the Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) jointly issued Announcement [2020] No.13 to support businesses, the key points are as follows:

- For Small Scale VAT Payers register in Hubei Province applying Value Added Tax (“VAT”) rate at 3%, the below rules will be adopted during the epidemic period:
 - VAT is exempted; or
 - Pre-payment of VAT is suspended.
- For Small Scale VAT Payers in other provinces applying VAT rate at 3%, VAT rate will be reduced to 1%;
- The above concessionary rates will be applicable from 1st March 2020 to 31st May 2020 (3 months).

In order to implement the above tax policies, SAT published Announcement [2020] No. 5 to govern administration of tax collection during the ‘COVID-19’ epidemic. The key points are as follows:

- Further clarify the period for the concessions (1st March 2020 to 31st May 2020);
- Issue VAT invoices at 1% to the customers where applicable;
- Stipulate the calculation method for the sales amount;
- State tax return filling procedures under the new tax policies;
- Clarify how to handle sales return or discounts which have been invoiced before the end of February 2020; and
- Allowing taxpayers who have gave up VAT export refund within the past 36 months to resume applying for VAT export refund.

Updates on China immigration policy during the “COVID-19” Epidemic

In order to strengthen the prevention and control of the ‘COVID-19’ outbreak, the National Immigration Administration, the National Science and Technology Commission, and the Exit-Entry Administration of the Public Security Bureau have recently issued new measures to facilitate fast online applications and reduce cross-border movements.

The key contents and updates are as follows:

- The following continues to be available for foreigners currently stay in China:

- Continue to provide foreigners with visa extension and residence permit processing services;
 - Provide fast-track service for certain urgent cases; and
 - Arrange appointment services for application submissions and passport collections based on local circumstances.
- For foreigners who are unable to leave the country on time and cannot apply for visas and residence permits in a timely manner, local immigration authorities will have discretion to reduce or waive applicable penalties in accordance with relevant laws and regulations;
- During this special period, it is recommended that all foreigners make online application for working permit and resident permit and made appointments in advance if they need to visit the immigration authorities;
- From 28th March 2020, foreigners holding valid visas and residence permit and APEC business travel card are not permitted to enter China unless the visas are granted after the announcement of the travel ban; and
- In order to prevent and control the spread of the virus, everyone entering China will be subject to a 14-day quarantine period.

We recommend the following actions for foreigners:

- Obtain update information on special border measures at the originating and destinating country or region before entering or leaving China to avoid unnecessary delays or financial costs;
- Pay close attention to policy updates and seek professional advices where applicable to get practical guidance; and

- Plan applications in advance and make use of available fast-tracks before expiry of their visas and residence permit.

Better Export Tax Refund Rates for Certain Products

Recently, the MOF and the SAT have jointly issued an Announcement on increasing Export Tax Refund Rates for Certain Products (the "Announcement"), with effect from 20th March 2020.

According to the Announcement, export tax refund rate will be increased to 13% for 1,084 products including porcelain sanitary utensils, disinfectants, small rolls (sheets) of toilet paper, and to 9% for 380 products including plant growth regulators, recycled wool fibers, and herbicide formulations packaged for retail (current export tax refund rate for the above products ranged from 6% to 9%).

The list of products enjoying the increased export tax refund rate could be found in the List of Products Eligible for Higher Export Tax Refund Rates annexed to the Announcement. The Announcement further clarifies that the applicable export tax refund rates for the listed products should be measured by the date of export indicated on the customs declaration document.

Service Highlight

In this worldwide coronavirus pandemic period, both businesses and people's life are facing significant uncertainties, and no one could get through this alone. Sino-Bridge feels solidarity with the broader society and has been standing together firmly with our staff and clients. We are committed to providing whatever necessary support within our utmost capacity to our clients and employees. Should you need any support or assistance, our Marketing Executive, Ms. Rika Wong, looks forward to hearing from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com.

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