

China Business Advisory

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Abolishment of Verification Time Limit for VAT Credit

On 31st December 2019, the State Administration of Taxation (“SAT”) issued a <Notice on the Cancellation of the Authentication and Confirmation Period of VAT Deduction Vouchers and Other Issues Concerning the Collection and Administration

of VAT> (Guoshui [2019] No.45), announcing the cancellation of the verification period of VAT deduction vouchers, which was 360 days previously. The notice applies to VAT credit vouchers issued on or after 1st January 2017 obtained by general VAT taxpayers. The vouchers referred to include VAT special invoices, customs import bill of payment, unified invoices for motor vehicle sales and electronic invoices for highway tolls. Before the new rules become effective, if a taxpayer has issued a VAT special invoice on 1st February 2019 to its customer, the invoice has to be verified by the customer in the tax system before the tax filing period of January 2020, otherwise, the tax credit will be lost.

For vouchers issued on or before 31st December 2016, the previous 360-day rule still applies, that

is, overdue verification can lead to tax losses except for vouchers which meet some special criteria, say, force majeure, stipulated in <Overdue VAT Credit Document Deduction Announcement> (Guoshui [2011] No.50), and <Failure to Declare Deductible VAT Credit Document Announcement> (Guoshui [2011] No.78).

The above provisions of Guoshui [2019] No.45 came into force from 1st March 2020.

Preferential VAT Policy for Second-hand Car Dealers

In order to stabilize and expand automobile consumption, the Ministry of Finance (“MOF”) and the SAT jointly issued an announcement, [2020] No.17 -- <Announcement on Value-added Tax Policies for Second-hand Car Dealers> on 8th April 2020 announcing that VAT rate for second-hand car selling would be reduced from 2%, which has already lowered from the standard rate of 3%, to 0.5%. Eligible second-hand car sales refers to cars which have complete registration files and has not exceed the national compulsory scrapping period. The new rules will be effective from 1st May 2020 to 31st December 2023.

The policy was promulgated amid the lifting of restrictions to promote second-hand car market in most provinces, with the exception of key areas for air pollution control such as Beijing, Tianjin, Hebei, Yangtze River Delta Area and Pearl River Delta Area, to stimulate second-hand car consumption and upgrading in order to bolster the economy in the context of COVID-19 outbreak.

Guidelines for Remedy of Tax-payment Credit Rating

In order to strengthen the taxpayer's credit consciousness, in 2014, the Chinese government has launched <Tax Credit Management Approach (trial)" (Guoshui [2014] No.40), and <Tax Credit Evaluation Indicators and Evaluation Methods> (trial)" (Guoshui [2014] No.48), putting taxpayers who do not complete tax return on schedule, do not pay taxes on time into a special list. Five years have passed, the initiative has produced remarkable results.

Now, in order to encourage and guide enterprises to take the initiative to correct their misconduct and recover their tax credit rating, the State Administration of Taxation ("SAT") issued <Notice on Matters Related to Tax Credit Repair> (Guoshui [2019] No.37) on 7th November 2019 which becomes effective from 1st January 2020.

For enterprise taxpayers who meet one of the following conditions, they can apply for the repair of their tax credit to the competent tax authorities within the prescribed period:

1. Taxpayers, who failed to file tax returns, pay taxes or file required documents in time, and have subsequently fulfilled their obligations. They may apply to the competent tax authorities before the end of the following year after they are listed as non-compliant;

2. Taxpayers, who did not pay or pay in full of taxes, late fees or penalties according to the authority's conclusion where their tax credit rating was directly determined as D but did not constitute a crime, and have subsequently paid in full within 60 days from the payment deadline specified by the tax authority;

3. Taxpayers who have subsequently fulfilled their legal obligations and their abnormal status dismissed by tax authorities according to law.

Taxpayers who meet the 2. or 3. above shall apply before the end of the next year after their credit rating is judged to be grade D. Their reassessed credit rating will not be grade A, and the dismissal of abnormal status can only be applied once a year.

Service Highlight

Dealing with the emergent coronavirus outbreak for months, the government now is trying to introduce a number of encouraging policies to boost the economy recovery, especially to support small and micro businesses. Sino-bridge is always here to provide you with the latest domestic information and news, let you understand the latest situation in China. Should you need any support or assistance, please contact our Marketing Executive, Ms. Rika Wong, she looks forward to hearing from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com.

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