

China Business Advisory

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Further Tax Reduction for Small Businesses with Minor Profits and Privately-owned Businesses

On 2nd April 2021, the State Taxation Administration (“STA”) and the Ministry of Finance (“MOF”) jointly issued Announcement [2021] No. 12, which is followed by a connected circular - STA Announcement [2021] No. 8 issued on 7th

April 2021, to declare further concessional Corporate Income Tax (“CIT”) and Individual Income Tax (“IIT”) policies for small businesses with minor profits and privately-owned businesses respectively. These two Announcements have provided a strategic goal of the incentives and elaborated more on the detailed implementations.

To further support and cultivate the development of aforementioned businesses, a further 50% reduction of CIT and IIT is proclaimed for the portion that is no more than CNY 1 million of the annual taxable income of eligible taxpayers. This leads to an effective CIT rate at 2.5% for eligible enterprises. And these incentives are valid for the period from 2021 to 2022.

It is expected that these tax incentives will help various small businesses to survive and return to normalcy amid the COVID-19 pandemic.

Further Increased Super Deduction Ratio of Research and Development (“R&D”) Expenses

Recently, the MOF and the STA have jointly issued a circular - Announcement [2021] No. 13 (the “Announcement”), to lift the super deduction ratio of R&D expenses again for manufacturing enterprises from the existing 75% to 100%. It takes effect from 1st January 2021 retrospectively.

The main content of the Announcement is summarized as follow:

- Provided that the R&D expenses are not capitalized as intangible assets but recognized as costs and/or expenses actually incurred by a manufacturing enterprise for its R&D activities, an extra 100% of the actual amount is deductible for CIT purpose in addition to the actual amount deducted;
- If such costs and/or expenses have been capitalized as intangible assets, 200% of the cost of relevant intangible assets is allowed for amortization for CIT deduction.
- The Announcement also makes clear that it is at taxpayers’ discretion for making eligibility judgement, choosing time of filing and archiving supporting documents.

A Pilot Program for Expanding Opening-up of the Service Industry in Four Regions in China

The State Council has issued an Official Reply on “Approving the Pilot Program for Expanding Opening-up of the Service Industry in Tianjin, Shanghai, Hainan and Chongqing” (the "Reply") on 9th April 2021.

According to the Reply, a pilot program for expanding opening-up of the service industry in Tianjin, Shanghai, Hainan and Chongqing (the "Pilot Regions") will be implemented for a period of three years, starting from the date of the Reply.

As specified in the Reply, the pilot program shall be closely aligned with the local development positioning, to further promote the opening-up of the service industry, speed up the development of modern service industry, build new edges in international cooperation and competition, speed up the building of a new system for open economy at a higher level, eventually to help accelerate the construction of a new landscape.

The Reply also sets forth working requirements for the governments of the Pilot Regions and for relevant departments under the State Council. The Reply stresses that the related governments will gain more in depth experiences that can be replicated and extended into accelerating the development of a modern industrialized system. And this new system can be used for an open economy at a higher level, and play as a role model in driving a more open, innovative and developed environment in the service industry across the whole nation.

Sino-Bridge will follow up with the further laws and regulations on implementing the Pilot Program in Pilot Regions and provide the updates to our clients accordingly.

Service Highlight

In summary, there has been a main focus in China to strongly support and speed-up the recovery of enterprises especially during the Covid-19 pandemic. All the policies and rules are made exclusively for releasing the financial burden (including tax, social insurance and housing fund) for employers. In this way, they can utilise their energy and ability on re-building their business. Eventually, the economy will be prosperous and the unemployment can be kept low as intended.

Further, the focus on the development of the manufacturing and service sector of China has been highlighted immensely. This strongly indicates that China is in the process of recovering. The early intervention will have a tremendous impact on our society and global economy as a whole.

Sino-Bridge is always well prepared and pleased to help investors to realize their full potential. You can call our Marketing Executive, Ms. Miumiu Chan, at (852) 3579 8745 or email to miumiuchan@sinobridge-consulting.com for any assistance and support we could provide you with.

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