

China Business Advisory

2011 Issue 12

December 2011



TABLE OF CONTENT

1 China Updates

- + Further regulations regarding tax reform in Shanghai
- + Business Tax (“BT”) or VAT for the sale of food in hotels and restaurants
- + How to deal with GTP registration when moving to another location
- + Changes to Corporate Income Tax (“CIT”) filing format
- + Preferential policy for small-profit enterprises
- + Revised implementation rules for new law on Vehicles and Vessels Tax (“VVT”)

2 Sino-Bridge Service Highlight

Further regulations regarding tax reform in Shanghai

Following what we introduced in our last edition in respect of the tax reform pilot program in Shanghai, State Administration of Taxation (“SAT”) released its Decree No.65 on 2nd December, 2011 to clarify on the criteria for registering as a General Tax Payer (“GTP”), which will become effective from 1st January, 2012. Generally speaking, tax payers whose annual turnover is more than RMB 5 million have to register as a GTP with the tax authority.

Business Tax (“BT”) or VAT for the sale of food in hotels and restaurants

Whether BT or VAT should apply for food sold in hotel and restaurants is not always clear in practice. In some locations BT is applied on the sale of certain kinds of food which could be subject to VAT in other locations. SAT issued its Decree No. 62, which will come into effect on 1st January, 2011, states that food sold but not consumed on the spot is subject to VAT. We however expect that further clarification might be needed on the definition of “food sold but not consumed on the spot”.

How to deal with GTP registration when moving to another location

When entities move to a new location, they have to register with different authorities, say, the Industry and Commerce Bureau and the Tax Bureau, etc. Sometimes, they may need to cancel their GTP and other tax registrations with the previous tax authority and register with the relevant tax authority in the new location. Decree No. 71 issued by the SAT on 9th December, 2011 was intended to smooth this process. Effective from 1st January, 2012, this GTP registration can be transferred to the next relevant tax authority with unutilized input VAT being brought forward.

Changes to Corporate Income Tax (“CIT”) filing format

SAT released Decree No. 64 on 30th November, 2011 to announce that the revised CIT filing format for monthly/quarterly CIT return to accommodate the development of other relevant regulations will need to be adopted from 1st January 2012. The new format, applicable only to resident tax payers, affects a number of items such as taxable income of special business, non-taxable income, tax-free income, etc. We would like to remind our readers to study the revised items in detail and prepare for the change as early as possible to ensure compliance in good time.

Preferential policy for small-profit enterprises

To render more support to small enterprises, Ministry of Finance (“MOF”) and SAT jointly issued a circular, Caishui [2011] No. 117, to lift the annual taxable income threshold for small enterprises from RMB 30,000 to RMB 60,000. Tax payers, whose annual taxable income is below this amount and who comply with other relevant regulations, can enjoy the preferential CIT rate of 10%, which is significantly less than the standard rate of 25%. This policy will apply from 2012 to 2015.

Revised implementation rules for new law on Vehicles and Vessels Tax (“VVT”)

We briefed our readers on the new VVG Law in our March Edition this year. Further to that the State Council recently released its revised implementation rules to be effective on 1st January, 2012. The changes mainly aim at encouraging energy saving and emission mitigation. Among them, the tax basis for passenger vehicles has been changed from number of passengers to engine capacity and energy-saving or green-energy vehicles can enjoy special discount.



Service Highlight

By the time our readers receive this CBA, Christmas and New Year should have just gone by. All Sino-Bridge staff would like to take this opportunity to thank you for your support, input and encouragement throughout the past year. We wish you a most prosperous year ahead to which we will be more than pleased to offer our contributions. To this end, please feel free to call Ms Mary Li, our Marketing Executive, on +852 3579 8745 or email her at maryli@sinobridge-consulting.com for any assistance you may need from us.

Merry Christmas and Happy New Year!

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 1601D01, 16/F ViLi International, 167 Linhexilu,
Tianhe District, Guangzhou PCR 510000

Lyon Odiceo

115 Boulevard Stalingrad – BP52038,
69616 Villeurbanne Cedex, France

Company Website:

www.sinobridge-consulting.com

Shenzhen

Room B02, 19/F, Petrel Hotel,
No.3002 Jiabin Road,
Shenzhen, PRC 518001

Shanghai

Room 17B, 17/F, World Plaza, No.855 South Pudong
Road, Pudong Area, Shanghai, Shanghai, PRC 200120C

General:

Tel: (852) 3579 8745

E-mail: info@sinobridge-consulting.com

Hong Kong Guangzhou Shenzhen Shanghai Lyon

For any enquiries, please contact Ms. Mary Li, Marketing Executive: maryli@sinobridge-consulting.com Tel: (852) 3579 8745

www.sinobridge-consulting.com