

China Business Advisory

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Further Preferential Tax Policy for Small Enterprises

On 17th January 2019, the Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) jointly issued a circular, Caishui No. 13 [2019], announcing that small-sized and tiny-profit enterprise

(hereinafter referred to as "small enterprises") can enjoy additional tax relieves. The key points are as follows:

- Eligible small enterprises with less than RMB1 million taxable profits will be subject to an effective tax rate of 5% while the portion exceeding RMB1 million but no more than RMB3 million will be taxed at 10%.
- The criteria to define an eligible small enterprise are also relaxed as follow:

Criteria	Previous Definition	New Definition
Annual taxable income	No more than RMB1 million	No more than RMB3 million
Number of employees	No more than 100 for manufacturing companies and 80 for other types of enterprises	No more than 300
Total assets	No more than RMB30 million for manufacturing companies and RMB10 million for other types of enterprises	No more than RMB50 million

- The Value-added Tax (“VAT”) exemption amount for small-scale taxpayers is increased from RMB30,000 to RMB100,000 per month.
- This new regulation is effective from 1st January 2019 to 31st December 2021.

Qualifying enterprises can budget for the taxes payable accordingly.

Implementation Rules of Increased VAT Exemption for Small-scale Taxpayers

Further to Caishui No. 13 [2019] introduced above, SAT released an announcement on 19th January 2019 to set out implementation rules regarding the increased VAT exemption.

If total taxable sales are no more than RMB100,000 for those file VAT on a monthly basis or RMB300,000 for those file VAT on a quarterly basis, VAT will be exempted.

If the total taxable sales exceeds the above thresholds but would be qualify when excluding the sales of non-movable properties, sales other than that of non-movable properties are exempted from VAT.

Small-scale taxpayers who pay VAT with a fixed period can choose to file and pay VAT on a monthly or quarterly basis. Once it is determined, it cannot be changed within a fiscal year. Which choice will be more tax efficient depends on whether the taxpayers expects that they will have

individual months exceeding 100k revenue while total revenue for the quarter will not exceed 300k (choose monthly filing). If they expect that their quarterly revenue may exceed 300k while monthly revenue may be lower than 100k, quarterly filing will result in lower VAT payable.

Qualifying enterprises should review their revenue and consider which alternative they should choose to maximize tax benefits and minimize VAT payable.

VAT Exemption for Elderly-caring Institutions

With the aggravation of aging population in China, the demand for elderly-caring services has been increasing. Tax incentives have been introduced by the government to this industry to encourage its development.

In March 2016, a regulation, Caishui No. 36 [2016], stipulated VAT exemption of elderly-caring services provided by eligible institutions and gave definitions of elderly-caring institutions and elderly-caring services. As the Law of the People's Republic of China for Safeguarding the Rights and Interests of the Elderly (“the Law”), which was revised in December 2018, has abolished the administrative permit for elderly-caring institutions, a further regulation, Caishui No. 20 [2019], was released in February 2019 to clarify the updated definition of elderly-caring institutions as those registered and filed with relevant authority in accordance with the Law. VAT exemption will continue to be applicable to these institutions.

Service Highlight

The introduction of a series of tax relief policies has opened the prelude of 2019, which is bound to be a year of more preferential treatment. The Chinese government has spared no effort to create a more open and flexible business environment. Sino-bridge will always be here to provide you with the latest information and do our best to provide you with professional services. Our Marketing Executive, Ms. Rika Wong, looks forward to hearing from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com for any assistance and support we could provide you with at any time.

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