

China Business Advisory

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Lower Import Tariffs in 2021

On 21st December 2020, the Customs Tariff Commission of the State Council issued tax rules on "Import and Export Tariff of the People's Republic of China (2021)" (hereinafter referred to as "Tax Rules (2021)"), which become effective

from 1st January 2021.

The main contents of Tax Rules (2021) are as follows:

- Starting on 1st January 2021, 883 products (excluding tariff quota products) will be subject to temporary import tariff rates which are lower than the most-favored nation (“MFN”) rates;
- From 1st July 2021, China will make the sixth reduction on the MFN tariff rates of 176 kinds of information technology products, and temporary import tariffs on 9 items of imported information technology products will be removed;
- The MFN tariff will be resumed in lieu of the provisional temporary import tariff on solid wastes such as metal scrap from 1st January 2021;

- From 1st January 2021, further reduced tariff rates will be applied with several countries and regions which have signed free trade agreements with China, e.g., New Zealand, Peru, Switzerland, Iceland, Pakistan, Chile, Australia and South Korea.

The move is expected to boost the domestic economy and enhance cooperation between China and its trading partners to expedite global economic recovery.

Extension of Financing Incentives for Small Businesses

COVID-19 epidemic has strongly impacted Chinese businesses, especially small and micro-sized ones. Two policy tools were introduced in 2020 to provide financial support to small and micro-sized businesses. According to the State Council meeting presided over by Premier Li Keqiang on 21st December 2020, the two tools will be extended in 2021, which are describe as follow:

- 1% of the loan principal will continue to be provided by the government as an incentive to local legal-person banks which defer the repayment of loans and payment of interests for small and micro-sized businesses with a deferred period of more than 6 months; and
- The government will keep supplying 40% of the inclusive credit loan principal to eligible local legal-person banks which grant such loans to small and micro-sized businesses.

Wider Use of Electronic Value-added Tax (“VAT”) Special Invoices

On 4th December 2020, the State Administration of Taxation (“SAT”) issued Announcement [2020] No. 22 regarding the implementation of electronic VAT special invoice for newly registered taxpayers to further promote the use of electronic invoices.

Following a pilot program in three regions, newly registered taxpayers in 11 regions including Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Anhui, Guangdong, Chongqing, Sichuan, Ningbo and Shenzhen can issue electronic VAT special invoices to recipients across the country from 21st December 2020, while the service will become available to 25 other regions from 21st January 2021.

Electronic VAT special invoices are produced under the supervision of provincial tax bureaus with electronic signatures replacing traditional invoice stamps. The legal effect, basic purpose, and usage requirements of such electronic invoices are the same as the paper version of VAT special invoices. Taxpayers can download the electronic VAT invoice document reader through the national VAT invoice verification platform to view the electronic VAT special invoice and verify the validity of the electronic signature.

With the rapid deployment of information technology and the reform of tax system, the implementation of electronic VAT special invoices has become an overwhelming trend which brings convenience in use, custody, verification, filing and also environmentally friendly.

Service Highlight

To help domestic enterprises resume normal production and operation as soon as possible, the Chinese government has stepped up its efforts from various aspects, including those introduced above such as reducing tariffs, financing incentives and leveraging advance technologies. These will definitely benefit investors and business owners. Professionals in our team are committed to keeping our clients updated and helping them understand and take advantage of these changes in a timely and adequate manner, in a nutshell - serving our clients wholeheartedly. Please feel free to contact our Marketing Executive, Ms. Miumiu Chan, at (852) 3579 8745 or miumiuchan@sinobridge-consulting.com if you want to know more on how we can help you to grow your business in China.

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