

China Business Advisory

2020 Issue 6

June 2020



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Extension of Tax Policies to Aid Recovery

On 30th April 2020, the Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) jointly issued Announcement [2020] No.24 to extend the Value-added Tax (“VAT”) concession period defined in Announcement [2020] No.13 from 31st May 2020 to the end of 2020. The Announcement [2020] No.13 has

been highlighted in our “China Business Advisory-2020 Issue 3” and below is a recap of the relevant tax concession:

- Small-scale VAT Payers in Hubei Province applying VAT rate of 3% are entitled to VAT exemption and suspension of VAT prepayment from 1st March to 31st May 2020
- Small-scale VAT Payers in other provinces applying VAT rate of 3% are entitled to VAT rate of 1% from 1st March to 31st May 2020

On 19th May 2020, SAT issued Announcement [2020] No. 10 allowing eligible taxpayers to defer their Corporate Income Tax (“CIT”) or Individual Income Tax (“IIT”) payments, payable for the period from 1st May to 31st December 2020, to the beginning of 2021 when declaring the CIT or IIT tax payable for the year ending 31st December 2020. The target entities of this concession are

Small and Micro Enterprises and Self-Employed Individuals which complete tax filings on time for the periods from May to December 2020.

These policies are expected to further relieve the burden of small businesses.

Additional Efforts on Logistics Costs Reduction and Efficiency Improvement

On 20th May 2020, the State Council Office issue a notice confirming the <Implementation Ideas for Further Lowering Logistics Costs> (Guobanfa [2020] No.10) formulated by the National Development and Reform Commission and the Ministry of Transport. 24 ideas were listed out for specific responsible government departments to take actions for

1. Further reform critical process (reduce administrative costs)
2. Secure land use and expand financing channels (reduce essential costs)
3. Implement preferential measures of taxes and charges (reduce costs of taxes and charges)
4. Improve information sharing (reduce information costs)
5. Promote efficient connection of logistic facilities (reduce costs in joint transportation)
6. Enhance service quality and efficiency in logistics industry (reduce comprehensive costs)

Some key actions are summarized as follow:

- Expedite the progress of certificates digitalization in the transportation sector
- Issue specific local government bonds and encourage supply chain finance
- Lower Land Use Tax, high-way charges, overdue fee inspection and handling fee in transportation
- Establish public shared information system
- Allocate more budget in logistics facilities and construction

- Develop digital and green logistics by creating pilot supply chain projects, building digital connection and encouraging R&D in recyclable packaging materials

Construction of Chinese-characteristic Free Trade Port

On 1st June 2020, the Central Committee of the Communist Party of China (“CPC Central Committee”) and the State Council jointly released a master plan for a Chinese-characteristic free trade port being constructed in Hainan Province. It is expected to be a high-level free trade port with global influence like those in Hong Kong, Singapore and Dubai. The Hainan Free Trade Port is planned to be “established” by 2025 and become “mature” by 2035. Trade and investment liberalization and facilitation will be the priority in the first phase through enhancing the construction of special customs monitor area, implementing zero import duty for specific goods, reducing limitations on businesses like finance service, cross-border trading service, shipping and air transportation service. By the end of the second phase, Hainan will be more autonomy with more flexible and efficient laws and regulatory system.

Along with the advantages in investment, trading and transportation, preferential treatment in finance and tax are emphasized in the master plan. For example, entities in the free trade port can enjoy a CIT rate of 15% (standard rate is 25%) and people staying in free trade port over 183 days within a taxation year can enjoy progressive Individual Income Tax rates of 5%, 10% and 15% (standard rates are 5% up to 45%). Tourism, modern service and high technology will be the most welcomed industries and sectors in this free trade port.

Guidelines for Task Allocation for 2020 Government Work Report

Premier Keqiang Li delivered the 2020 Government Work Report (“the Report”) at the 3rd session of the 13th National People’s Congress of the People’s Republic of China on 22nd May 2020. On 6th

June, the State Council issued Guofa [2020] No.6 giving guidance on carrying out the tasks in the Report on an orderly, progressively and timely basis. The following is a summary of tasks relevant to businesses:

1. Through increasing financial deficits by RMB 1 trillion (USD 141.4 billion) and issuing a special government bond valued at RMB 1 trillion, total RMB 2 trillion funding will be applied to support stable employment, secure people's basic livelihoods and safeguard market entities
2. Comprehensive monetary measures including cutting interest rates and reserve requirement ratios and arrangement of re-lending to accelerate the growth of money supply and social financing scale
3. Additional taxes and fees relief including but not limited to VAT, Social Insurance (Pension, Unemployment and Work Injury) and port construction charges in total worth more than RMB 2.5 trillion for enterprises, especially for medium, small and micro entities and self-employed individuals
4. Extend the policies reducing electricity, internet fees and lease burden of state-owned property
5. Defer payment of principal and interest on loans for medium, small and micro enterprises and extend the policies to March 2021
6. Less restrictions for registration of operation venues for small and micro enterprises and self-employed entities
7. Accelerate industry innovation and start-up development by equity investment and secured loans
8. Narrow down negative list of foreign direct investment

All the tasks will be carried out in 2020 with an objective to help businesses and economy to recover from the impacts of Covid-19.

Service Highlight

The Chinese government has been continuously making efforts to improve the commercial conditions to ensure an advantageous and stable business environment for foreign investors. We are committed to providing clients and their employees with our comprehensive advice on how to take good advantage of the China globalization progress for the success of your operation in this country during this special period and in the future. For any assistance and support, please feel free to contact our marketing executive, Ms. Rika Wong, by email rikawong@sinobridge-consulting.com or call (852) 3579 8745.

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