

China Business Advisory

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2. Service Highlight

Update on Deductible Public Welfare Donations

On 11th February 2018, the State Administration of Taxation (“SAT”) released a circular, Caishui [2018] No.15, to give further clarification and tax incentives for public welfare

donations. The key points are summarized as follows:

- The donations of public welfare nature which qualify for Corporate Income Tax (“CIT”) deduction are defined as donations for charity or public-welfare purpose to qualified public-welfare social organizations, or governments at/above county level as well as their constituent departments and directly affiliated institutions;
- The annual deduction limit of the above donation is set at 12% of the annual profit, which is generally calculated according to the applicable accounting standard;
- Donations in excess of the 12% deduction limit could be carried forward for three years at most starting from the following year;
- Deduction of the carried forward donations is on a first-in-first-out basis.

This regulation took effect retrospectively on 1st January 2017. Since the Charity Law of China came into force on 1st September 2016, an exception is given to eligible to-be-deducted donations that occurred between 1st September and 31st December 2016, for which the new rules in Caishui [2018] No.15 could be applied. In view of the annual CIT filing of 2017 that is currently in progress, we would like to remind relevant tax payers to pay particular attention on these changes when preparing data and documents for the CIT return.

Customs Measures for Enterprise Credit Administration

General Administration of Customs (“GAC”) issued a decree, Shuling [2018] No.237, on 3rd March 2018 to announce the Customs Measures for Enterprise Credit Administration (“the Measures”) in lieu of the interim version published in 2014. The Measures provided various improvements and standards on applicable scope, collection and publication of information, authorization procedures, and in particular on authorization, incentives and penalties. The major points are listed below:

- The Measures will cover all the enterprises registered or filed with the customs authority;
- The customs authority will jointly work with other governmental departments to implement relevant incentive and penalties to promote credible enterprises and punish those discredited;
- An annual report has to be submitted to the customs authority between 1st January and 30th June of the following year;
- A special online platform will make relevant information visible to the public;
- An updated “Standard for Enterprise Authorization of Customs”, which is an important supporting scheme including both general standards and particular standards for different types of enterprises, will be announced shortly;
- Enterprises will be classified into High-grade Authorized Enterprises, General Authorized

Enterprises and Discredited Enterprises, according to the specified authorization criteria and administrative measures;

- Procedures pertinent to suspension and termination of authorization and administrative measures are specified;
- Constant fulfilment of relevant requirements by Authorized Enterprises is necessary to avoid degrading;
- The Measures will be implemented on 1st May 2018.

Restriction on Large-sum Overseas Cash Withdrawals

State Administration of Foreign Exchange (“SAFE”) released a notice, Huifa [2017] No. 29, which became effective on 1st January 2018 as an effort to target cross-border money laundering, terrorism financing and tax evasion. It aims to restrict large-sum cash withdrawals of domestic cards outside of China. The main stipulations of the notice are shown below:

- The cap for annual accumulative cash withdrawal abroads is the equivalent of RMB 100,000 for all the bank cards including supplementary cards of each individual. When the cap is exceeded, overseas cash withdrawal in the year and the following year will be suspended;
- Individuals are prohibited from using cards of others to bypass the above cap;
- The daily withdrawal limitation for each card, regardless of the currency, is the equivalent of RMB 10,000;

- SAFE will work together with relevant financing institutions for information sharing and upgrade of system for the smooth implementation of this notice.

Clarifications on Certain VAT Issues

On 25th December 2017, SAT issued Caishui [2017] No.90, to clarify certain VAT policies, which became effective on 1st January 2018. The major points introduced are as follows:

- Full amount of input VAT of leasehold fixed assets or immovable assets, which are used for both items under the General Taxation Method and Simple Taxation Method, items exempt from VAT, for collective welfare or personal consumption, could be counted as tax credit which would be deducted from the output VAT of sales;
- From 1st January 2018 onward, income derived from overdue tickets of passenger transportation is subject to VAT as “transportation service” (11%) while charges for returning tickets to passengers would be regarded as “other modern services” which are subject to VAT of 6%;
- Some specifications of VAT credit regarding roads and bridge tolls are listed, such as:
 - From 1st January to 30th June 2018, VAT input of eligible highway tolls for credit should be calculated according to a given formula based on the amount shown on the receipt provided VAT electronic general invoices are not available;
 - From 1st January to 31st December 2018, VAT input of eligible first and second-grade road tolls for credit should be calculated according to a given formula based on the amount shown on the receipt provided VAT electronic general invoices are not available;

- VAT input of eligible tolls for passing a bridge or lockage should be calculated for credit claim according to a given formula based on the amount shown on the receipt provided VAT electronic general invoices are not available.

Service Highlight

It is evident that the Chinese government is making continuous effort to create a more open and relaxed business environment by improving and simplifying domestic regulations. We are committed to providing clients with quality advice on how to leverage on the ever-changing business environment of China to benefit their business. To learn of how we could assist you with your business, please contact our Marketing Executive, Ms. Kimme Chan, at (852) 3579 8745 or kimmechan@sinobridge-consulting.com.

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