

China Business Advisory

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Purchase Tax Exemption for New Energy Vehicles

On 16th April 2020, the Ministry of Finance (“MOF”), the State Administration of Taxation (“SAT”), and the Ministry of Industry and Information Technology Administration (“MIIT”) jointly issued <Announcement of Relevant Policies on Purchase Tax Exemption

for New Energy Vehicle> (MOF Announcement [2020] No.21), stipulating that in order to support the development of new energy vehicle industry and promote automobile consumption, all new energy vehicles will be exempted from vehicle purchase tax. New energy vehicles include pure electric vehicles, plug-in hybrid (including extended range) vehicles, and fuel cell vehicles.

The announcement extends the existing scope of new energy vehicles that are exempted from vehicle purchase tax as defined in the <Catalogue of New Energy Vehicle Models Exempted from Vehicle Purchase Tax> (hereinafter referred to as the "Catalogue") published by MIIT and SAT.

Purchase of new energy vehicles listed in the Catalogue will be exempted from vehicle purchase tax based on the date indicated on the unified invoice (or valid certificate) for the sales of motor vehicles.

Automobile companies should ensure that vehicle electronic information are consistent with vehicle purchased, and make sure that misreported exemption cases due to provision of inaccurate and/or false information or materials are handled in accordance with the <Law of the People's Republic of China on Tax Collection Management> and its implementation rules.

This announcement will take effect from 1st January 2021 when new Catalogue covering the extended range of new energy vehicles subject to exemption of purchase tax become available. Meanwhile, the list of new energy vehicles in the existing catalogue continue to be exempted from purchase tax.

Reduction of Corporate Income Tax Rate for Western Region Encouraged Enterprises

On 23rd April 2020, the MOF, the SAT jointly issued <Announcement on Reduction of Corporate Income Tax Rate for Western Region Encouraged Enterprises> (MOF Announcement [2020] No.23), stipulating that in order to promote the development in the Western Region, encouraged

enterprises in the Region can enjoy a lower corporate income tax rate of 15% from 1st January 2021 to 31st December 2030.

Eligible Enterprises are those engaging their main business in industrial projects as specified in the “Catalogue of Encouraged Industries in the Western Region”, and whose main business income accounts for over 60% of their total income.

If the Catalogue is revised within the execution period of this announcement, it will become applicable for this announcement when the revised Catalogue become effective.

If the Tax Authorities are unable to determine whether an Enterprise’s main business can be classified as state-encouraged industrial project, final decision will be made by relevant departments of National Development and Reform Commission.

Specific measures for implementation of this policy shall be formulated by the respective provincial authorities.

The Western Region mentioned in this announcement covers Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing City, Sichuan Province, Guizhou Province,

Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region and Xinjiang Production and Construction Army, Xiangxi Tujia and Miao Autonomous Prefecture in Hunan Province, Enshi Tujia and Miao Autonomous Prefecture in Hubei Province, Yanbian Korean Autonomous Prefecture in Jilin Province and Ganzhou City in Jiangxi Province.

This announcement will become effective from 1st January, 2021. And the following regulations will be abolished on the same day.

- <Notice of the State Administration of Taxation of the General Administration of Customs of the Ministry of Finance on Taxation Policy Issues concerning In-depth Implementation of Western Development Strategy> (MOF Announcement [2011] No.58)
- The corporate income tax policy stipulated in the <Notice of the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on Ganzhou 's Implementation of the Taxation Policy for Western Development> (MOF Announcement [2013] No.4) .

Service Highlight

In order to deal with the impact of the coronavirus on the trading market, China has promulgated many favorable policies for enterprises to support their business continuity, secure employments, and maintain the stability and development of social order. Undoubtedly it is crucial to understand the implication and impact of these policies. Sino-bridge will keep updating with the latest policies to help your business activities in China. Should you need any support or assistance, please contact our Marketing Executive, Ms. Rika Wong, she looks forward to hearing from you at (852) 3579 8745 or rikawong@sinobridge-consulting.com.

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