

# China Tax Weekly Update

ISSUE 11 | March 2016

Reference: Cai Shui [2016] No.36  
Issuance date: 23 March 2016  
Effective date: 1 May 2016

Relevant industries: All (especially for industries of construction, real estate, financial and lifestyle services)

Relevant companies: All (especially for enterprises engaged in construction, real estate, finance and lifestyle services)

Relevant taxes: VAT / BT

Potential impacts on businesses:

- Preparation of VAT reform needs to speed up for specific industries
- More attention needs to be paid on impacts of regulation changes by other industries
- Effective tax burden reduced

You may click [here](#) to access full content of the circular.

## MOF and SAT issue notice on VAT reform implementation

On 5 March, Premier Li Ke Qiang announced that VAT reform will be fully implemented from 1 May 2016. On 24 March 2016, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly issued Cai Shui [2016] No. 36 ("Circular 36") clarifying that the Business Tax (BT) to VAT reforms will be implemented comprehensively across the country. All business taxpayers in the construction, real estate, financial and lifestyle service industries will be included into the scope of the BT to VAT reforms to pay VAT rather than BT.

Circular 36 contains four attachments, including the *Measures for Implementation of the Pilot Program of VAT Reform*, *Provisions on Matters Concerning the Pilot Program of VAT Reform*, *Provisions on the Transitional Policies for Pilot Program of VAT Reform*, and *Provisions on Application of Zero VAT Rate and Exemption Policies to Cross-Border Taxable Behaviours*. The attachments include detailed tax policies for all of the taxpayers transitioning from BT to VAT under the reforms, as well as policies dealing with the effects of the reforms for those taxpayers who already have the status of general VAT taxpayers. Unless otherwise specified, articles of Cai Shui [2013] No.106 and other relevant regulations are abolished.

\* On the occurrence of the policy announcement, KPMG immediately issued a series of China Tax Alerts to provide an overview of the high level policies and general impacts across all industries. Focusing on construction, real estate, finance and lifestyle services, at the same time, we also issued specific alerts for each of the three major industries affected by these changes. You may click the following links to read:

- ❑ [China Tax Alert: China's new VAT rates & rules – high level policies and general impacts across all industries \(Issue 9, March 2016\)](#)
- ❑ [China Tax Alert: China's new VAT rates & rules – Financial Services impacts \(Issue 10, March 2016\)](#)
- ❑ [China Tax Alert: China's new VAT rates & rules – Lifestyle Services impacts \(Issue 11, March 2016\)](#)
- ❑ [China Tax Alert: China's new VAT rates & rules - Real Estate & Construction industry impacts \(Issue 12, March 2016\)](#)

Importantly though, each of the alerts should be read together, given that businesses across all sectors may buy, sell or lease real estate assets, and businesses across all sectors may consume lifestyle services as well as financial services. In other words, the industry specific alerts focus not only on the service providers in those industries, but also the consumers of services in those industries.

Reference: N/A  
 Issuance date: N/A  
 Effective date: N/A

Relevant industries: All (especially for industries of construction, real estate, financial and lifestyle services)

Relevant companies: Enterprises based in Beijing and subject to BT and VAT at the same time (especially for enterprises engaged in construction, real estate, finance and lifestyle services)  
 Relevant taxes: VAT / BT

Potential impacts on businesses:

- Preparation of VAT reform needs to speed up for specific industries

You may click [here](#) to access the details of the Guidance and [here](#) to access the details of the Table.

## Beijing State Tax Bureau's efforts on facilitation of VAT reform

On 23 March 2016, Beijing State Tax Bureau (BSTB), through its official We-Chat platform, issued the *Guidance for Completion of Certain Transition Matters for VAT Reform* ("the Guidance") to taxpayers who are based in Beijing. The Guidance requires the taxpayers who file BT with the local tax authorities and file their VAT with the state tax authorities at the same time, shall complete the relevant transition matters with their in-charge state tax authorities starting from 21 March 2016. (In China, taxes are divided into central government tax and local government tax. VAT as well as other taxes, such as CIT, Consumption Tax, Customs Duty etc., are classified as central government taxes and shall be filed with state tax bureau. BT as well as other taxes, such as IIT, Real Estate Tax, Stamp Duty etc., are classified as local government taxes and shall be filed with local tax bureau.)

Detailed procedures for the purchase of VAT invoices and the set up of VAT filing systems by taxpayers (who have already been registered as VAT general taxpayers or small-scale taxpayers with the state tax authorities) are set forth in the Guidance. The Guidance also provides taxpayers with the hotlines of sub-bureaux of the BSTB in each district or region for VAT reform policies.

If a taxpayer who only files CIT with the state tax bureau or a taxpayer whose tax liabilities are all administered by the local tax bureau, it shall keep close eyes on the We-Chat of the BSTB in relation to the transition matters which will be announced separately.

In order to facilitate the taxpayers who are engaged in construction, real estate, finance and lifestyle services to deal with the tax-related issues on VAT reform, on 24 March, the BSTB also published a table on its official We-Chat. The Table sets out the sub-bureaux of Beijing Local Tax Bureau with the corresponding sub-bureaux of the BSTB in each district and region.

Reference: N/A  
 Issuance date: N/A  
 Effective date: N/A

Relevant industries: All  
 Relevant companies: All  
 Relevant taxes: All

Potential impacts on businesses:

- Effective tax burden may be increased or reduced

You may click [here](#) to access full content of the circular.

## Financial & tax system reform to be accelerated pursuant to the Outline of the 13th Five Year Plan

Recent news published on the website of the SAT noted that, on 17 March 2016, the *Outline of the 13th Five-Year Plan for Socio-Economic Development of the People's Republic of China* ("the Plan") has been issued. The 15th chapter of the Plan includes the financial & tax system reform and the main contents are as follow:

- Implement the principle of tax by law in an all-round manner, establish a modern tax system featuring reasonable tax types, and increase the proportion of direct taxes gradually
- Complete the BT to VAT reform and establish a standardized consumption-oriented VAT system. Improve the Consumption Tax system
- Start to collect the Environmental Protection Tax. Improve the local tax system and push forward legislation for the Real Estate Tax. Implement a reform of Resource Tax which transitions it from a volume basis tax to a price basis tax and gradually expand the applicable Resource Tax scope
- Improve the customs tariff system
- Standardize relevant administrative undertaking fees and government funds. Accelerate the pace of the reform on the administration of non-tax revenue and establish a non-tax revenue management system that is scientific, standardized, rooted in laws, open and transparent
- Deepen the state tax and local tax collection and administration system reform, improve the tax collection and administration methods and efficiency. Introduce electronic invoices

\* You may click to access KPMG [China Tax Weekly Update \(Issue 9, March 2016\)](#) to understand the tax reform related topics in the *Report on the Work of the Government* delivered at 2016 NPC & CPPCC, and [China Tax Weekly Update \(Issue 6, February 2016\)](#) to understand the related topics of *the Key Tasks of Taxation Work in 2016*.

Reference: GAC  
Announcement [2016] No.16  
Issuance date: 17 March  
2016  
Effective date: 18 March  
2016

Relevant industries: Import  
and export industries  
Relevant companies: Import  
and export companies  
Relevant taxes: Import and  
export Customs Duty /  
Import VAT / Import  
Consumption Tax

Potential impacts on  
businesses:

- Compliance costs  
reduced
- Operation costs reduced

You may click [here](#) to access  
full content of the circular.

## General Administration of Customs (GAC) opens the client software and business data exchange interface for the customs pre-input system

On 17 March 2016, GAC issued Announcement [2016] No.16 (Announcement 16), opening the client software and business data exchange interface for the customs pre-input system. Announcement 16 also releases the Function List of the Customs direct filing system as well as the List of the Data Exchange Interface specification, which will take effective from 18 March 2016.

\* This is the latest action of the China Customs to promote the steady growth of foreign trade and improve customs clearance efficiency for enterprises. You may click to access KPMG [China Tax Alert: China Customs Issues Important Announcement on Trade Facilitation, Getting Through the Last Mile of Customs Declaration for Various Customs Business\(Issue 8, March 2016\)](#) to understand more detailed analysis on Announcement 16.

Reference: GAC  
Announcement [2016] No.17  
Issuance date: 21 March  
2016  
Effective date: 1 April 2016

Relevant industries: All  
Relevant companies: All  
Relevant taxes: Import  
Customs Duty / Import VAT/  
Import Consumption Tax

Potential impacts on  
businesses:

- Effective tax burden  
reduced

You may click [here](#) to access  
full content of the circular.

## GAC issues interim measures for exemption of import taxes on charity donation materials

On 21 March 2016, GAC issued Announcement [2016] No.17 (Announcement 17), clarifies certain issues of the *Interim Measures for Exemption of Import Taxes on Charity Donation Materials* (Announcement [2015] No.102, "Announcement 102"). Announcement 17 will take effective from 1 April 2016.

Announcement 17 clarifies that before declaring for import of donated materials, the donee shall complete the tax exemption procedures with local Customs. In addition, it clarifies the materials to be furnished when the donee or user completes the formalities for tax exemption on imported donation materials with the local Customs.

\* According to Announcement 102, import duties and import VAT shall be exempt for supplies donated free of charge by overseas donors to donees for direct charitable purposes. You may click [here](#) to access the full content of Announcement 12 for details.





### *Notice from the SAT on Clarifying Matters Concerning Use of the Uniform Social Credit Code and Tax Registration of Taxpayers such as Social Organizations (Shui Zong Han [2016] No. 121)*

On 15 March 2016, the SAT issued Shui Zong Han [2016] No. 121, clarifying the matters concerning use of the uniform social credit code and tax registration of taxpayers such as social organizations which are not included in the "three certificates into one" registration system reform.

You may click [here](#) to access full content of the circular.

### *Notice from the MOF and the SAT on Issues Concerning Income Tax Policies for Interest Income of Railway Bonds (Cai Shui [2016] No. 30)*

On 10 March 2016, the MOF and the SAT jointly issued Cai Shui [2016] No. 30, clarifying that the interest income derived by enterprise investors from the railway bonds issued between 2016 and 2018 shall be included in the taxable income for CIT purpose by half, and that the interest income derived by individual investors from railway bonds issued between 2016 and 2018 shall be included in the taxable income for individual income tax purpose by half.

You may click [here](#) to access full content of the circular.

### *The Tax Association of Beijing Issues the Report on Verification of Annual Declaration for Payment of Corporate Income Tax (Model)*

As mentioned in [KPMG China Tax Weekly Update \(Issue 4, February 2016\)](#), on 18 January 2016, the SAT issued SAT Announcement [2016] No. 3, deciding to revise several CIT annual filing forms. The revised CIT annual filing forms shall apply to the 2015 CIT annual filing and onwards.

In order to adapt to the changes in the policy for consolidated calculation and payment of 2015 CIT as well as adjustment to the tax filing forms, on 23 March 2016, the Tax Association of Beijing issued the revised *Report on Verification of Annual Declaration for Payment of Enterprise Income Tax (Model) 2016* for tax agencies to use.

You may click [here](#) to access full content of the circular.

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