

# China Tax Center China Tax & Investment Express

*China Tax & Investment Express (CTIE)\** brings you the latest tax and business announcements on a weekly basis. We selected some comparatively key announcements to provide for a synopsis and we also provide a link that leads you to the full content of each latest announcement (in Chinese). Please feel free to contact your EY client service professionals for further assistance if you find the announcements have an impact on your business operations.

CTIE does not replace our *China Tax & Investment News\** which will continue to be prepared and distributed to provide more in-depth analyses of topical tax and business developments in China.

\*If you wish to access the previous issues of CTIE and *China Tax & Investment News*, please contact us.

## Tax circulars

### ► Notice regarding the public opinion consultation on the "Draft Stamp Duty Law of the People's Republic of China (PRC)"

#### Synopsis

On 27 February 2021, the Draft Stamp Duty (SD) Law of the PRC (hereinafter referred to as the "Draft SD Law") was submitted to the 26th session of the Standing Committee of the 13th National People's Congress (NPC) for deliberation. On 2 March 2021, full contents of the Draft SD Law were announced on the official website of the NPC to seek public opinion. The consultation of public opinion shall be opened until 29 March 2021.



The Draft SD Law contains 20 articles which cover the definition of taxpayers, taxable scope, SD rates, tax basis as well as the preferential SD treatments, etc. Among these, the following details of the Draft SD Law are worth-noting:

## SD rates

Taxable items	SD rates proposed in the draft SD Law	Prevailing SD rates
<b>SD rates to be reduced</b>		
Paid-up capital and capital reserves recorded in accounting books	0.25‰	0.5‰ <sup>1</sup>
Processing contracts	0.3‰	0.5‰
Construction contracts		
Transportation contracts		
Other accounting books	Removed	RMB 5 on each accounting book <sup>1</sup>
Licenses	Removed	RMB 5 on each license
<b>SD rates to stay unchanged</b>		
Loan contracts	0.05‰	
Finance leasing contracts		
Purchases/sales contracts	0.3‰	
Technical contracts		
Instruments of conveyance and transfer	0.5‰	
Security trading contracts	1‰ only chargeable on the transferor	
Rental/storage/custodian/property insurance contracts	1‰	

## Tax-exempt items

The Draft SD Law lists out a few newly added tax-exempt items which include the electronic orders between e-commerce businesses and buyers, and purchases/sales contracts concluded by not-for-profit medical organizations for purchase of medical and hygiene products, etc.

Concerned taxpayers should read the Draft SD Law and are encouraged to express opinions on or before 29 March 2021 by sending mails or logging onto [www.npc.gov.cn](http://www.npc.gov.cn).

We have issued a WeChat news article on 4 March 2021 (in Chinese only) to discuss the Draft SD Law in greater detail, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the full content of the WeChat news article.

We will keep an eye on any further developments and advise you accordingly; please stay tuned.

<sup>1</sup> According to prevailing Provisional Rules on SD, the applicable SD rate for the aggregate amount of paid-up capital and capital reserves recorded in accounting books were subject to SD at 0.05%. However, according to Caishui [2018] No. 50 ("Circular 50", i.e., SD reduction and exemption on accounting books), from 1 May 2018, such amounts are eligible for a 50% reduction. Circular 50 also specifies that other accounting books which were subject to SD at RMB5 per book according to the prevailing Provisional Rules on SD are exempt from SD, such changes are also adopted in the Draft SD Law.

You can click this link to access the full content of the Draft SD Law:  
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff80808177e75f880177e7abe6fd014b>

You can click this link to access the full content of the prevailing Provisional Rules on SD:  
<http://www.chinatax.gov.cn/chinatax/n367/c1476/content.html>

You can click this link to access the full content of Circular 50:  
<http://www.chinatax.gov.cn/chinatax/n367/c13973826/content.html>

- ▶ **Notice regarding further expanding the pilot program of electronic reimbursement, entry and archiving of electronic Value-added Tax (VAT) invoices (Dangbanfa [2021] No. 1)**

## Synopsis

On 22 February 2021, the Ministry of Finance (MOF), National Archives Administration (NAA), State Taxation Administration (STA) and Ministry of Commerce (MOCOM) jointly issued Dangbanfa [2021] No. 1 ("Circular 1") clarifying some key issues concerning further expanding the pilot program of electronic reimbursement, entry and archiving of electronic VAT invoices.

## Key items of the pilot program

- ▶ Conduct electronic reimbursement and entry of electronic VAT invoices by following correct procedures.
- ▶ Conduct electronic archiving of electronic VAT invoices by following correct archiving procedures and storage format that meet relevant requirements.
- ▶ Summarize the pilot experience and practice that can be rolled out and replicated and submit the summary report in a timely manner.

## Competent authorities

- ▶ The NAA, MOF, MOCOM and STA shall jointly set up a coordination team to guide and accept the pilot work of headquarters of central state-owned enterprises.
- ▶ Local archives, finance, commerce and tax authorities (hereinafter referred to as "provincial competent authorities") and headquarters of central state-owned enterprises shall be in charge of the local pilot work of their regions and groups respectively.

## Submission of pilot plans

An entity with the intention to participate in the pilot program can prepare a pilot plan (see the attachment of Circular 1 for the outline) and submit to the provincial competent authorities for joint review. An entity of a central state-owned enterprise with the intention to participate in the pilot program can prepare a pilot plan and submit to the headquarter for review. Provincial competent authorities and headquarters of central state-owned enterprises will determine the list of pilot entities upon their approval on the pilot plans and then submit the list together with the pilot plans to the NAA before 20 April 2021. The NAA, MOF, MOCOM and STA shall review and determine the final list of pilot entities.

Circular 1 also specified requirements for pilot entities and conditions for acceptance. Relevant entities interested in participating in the pilot program are advised to read Circular 1 carefully and submit pilot plans to apply in a timely manner.

You can click this link to access the full content of Circular 1:

[http://kjs.mof.gov.cn/gongzuotongzhi/202102/t20210222\\_3660199.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202102/t20210222_3660199.htm)

- ▶ **Public notice (PN) regarding the second batch of charitable social organizations through which charitable donations made are deductible for income tax purposes for 2020-2022 (MOF/STA/MCA PN [2021] No. 5)**

## Synopsis

According to MOF/STA/MCA PN [2020] No. 27 ("PN 27", i.e., PN regarding matters related to the deduction of charitable donations for income tax purposes) and MOF/STA/MCA PN [2021] No. 3 ("PN 3", i.e., PN regarding transitional issues related to the recognition of the organizations through which charitable donations made are deductible for income tax purposes), charitable social organizations are categorized into charitable organizations, other social organizations and charitable mass organizations. The recognition and management on the qualification of charitable organizations and other social organizations (hereinafter referred to as the "eligible organizations"), whose status shall be valid nationwide for three years, shall be conducted in accordance with PN 27.



Based on the requirements of PN 27 and PN 3, on 20 February 2021, the MOF, STA and Ministry of Civil Affairs (MCA) jointly released MOF/STA/MCA PN [2021] No. 5 ("PN 5") to announce the second batch of eligible organizations for 2020-2022. According to PN 5, there are 66 eligible organizations on the list. IIT and CIT taxpayers that made charitable donations through these organizations can make deductions for income tax purposes.

Taxpayers are encouraged to read PN 5 for details of the list and leverage the benefits if qualifying donations are made.

You can click this link to access the full content of PN 5:

[http://szs.mof.gov.cn/zhengcefabu/202102/t20210225\\_3662260.htm](http://szs.mof.gov.cn/zhengcefabu/202102/t20210225_3662260.htm)

You can click this link to access the full content of PN 27:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5150170/content.html>

You can click this link to access the full content of PN 3:

[http://szs.mof.gov.cn/zhengcefabu/202102/t20210207\\_3655869.htm](http://szs.mof.gov.cn/zhengcefabu/202102/t20210207_3655869.htm)

## Customs circular

- ▶ **PN regarding matters related to the implementation of the "Administrative Measures of the Customs of the PRC for Reduction and Exemption of Import and Export Duties" (GAC PN [2021] No. 16)**

### Synopsis

According to GAC Order [2020] No. 245 ("Order 245", i.e., Notice regarding the "Administrative Measures of the Customs of the PRC for the Duty Reduction and Exemption of Imports and Exports") which became effective on 1 March 2021, the General Administration of Customs (GAC) released GAC PN [2021] No. 16 ("PN 16") on 24 February 2021 to specify the relevant matters from customs' implementation perspectives.

Among these, PN 16 listed out the situations where the quota of tax exemption of an applicant (which applies to certain import goods) shall be resumed or forfeited. In the meantime, PN 16 specified that the Certificate for Confirmation of Duty Collection/Exemption (征免税确认通知书) and Certificate for Confirmation of Duty Guarantee for Duty Exempt/Reduced Goods (准予办理减免税货物税款担保证明) obtained by applicants before 1 March 2021, according to the previous version of "Administrative Measures of the Customs of the PRC for Reduction and Exemption of Import and Export Duties" released via GAC Order [2018] No. 240 ("Order 240"), shall still be valid.

Same as that of Order 245, PN 16 became effective on 1 March 2021. Taxpayers are encouraged to read above-mentioned circulars for more details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 16:

<http://www.customs.gov.cn/customs/302249/2480148/3556098/index.html>

You can click this link to access the full content of Order 245:

<http://www.customs.gov.cn/customs/302249/2480148/3475961/index.html>

You can click this link to access the full content of Order 240:

<http://www.customs.gov.cn/customs/302249/302266/302268/1868425/index.html>

**Other tax and business related circulars publicly announced by central government authorities in the past week:**

- ▶ **Opinions on the commencement of the 2021 Action Plan for Simplifying Tax Procedures for Taxpayers (Shuizongfa [2021] No. 14)**  
[http://www.gov.cn/zhengce/zhengceku/2021-02/24/content\\_5588660.htm](http://www.gov.cn/zhengce/zhengceku/2021-02/24/content_5588660.htm)
- ▶ **Measures for the Reputation Risk Management of Banking and Insurance Institutions (Trail)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=967210&itemId=926>
- ▶ **Opinions on supporting the development of old revolutionary base areas in the new era (Guofa [2021] No 3)**  
[http://www.beijing.gov.cn/zhengce/zhengcefaui/202102/t20210220\\_2285636.html](http://www.beijing.gov.cn/zhengce/zhengcefaui/202102/t20210220_2285636.html)
- ▶ **Notice regarding public opinion consultation on the list of provinces that are commended for making remarkable achievements in promoting the steady growth of foreign trade and foreign investment and optimizing the business environment in 2020**  
<http://www.mofcom.gov.cn/article/b/c/202102/20210203039791.shtml>
- ▶ **Guiding opinions on accelerating the construction of a green, low-carbon and circular economic development system (Guofa [2021] No. 4)**  
[http://www.gov.cn/zhengce/content/2021-02/22/content\\_5588274.htm](http://www.gov.cn/zhengce/content/2021-02/22/content_5588274.htm)
- ▶ **Notice regarding further regulating the internet loan business of commercial banks (Yinbaojianbanfa [2021] No. 24)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=967445&itemId=926>
- ▶ **Notice regarding the commencement of the 2020 national statistical survey of venture capital institutions (Guokebanhanzi [2021] No. 56)**  
<http://stic.sz.gov.cn/attachment/0/752/752392/8563861.pdf>
- ▶ **PN regarding public opinion consultation on the "Implementation Opinions on Improving the Credit Repair Mechanism (Discussion Draft)"**  
[http://www.samr.gov.cn/hd/zjdc/202102/t20210218\\_326136.html](http://www.samr.gov.cn/hd/zjdc/202102/t20210218_326136.html)
- ▶ **Notice regarding the "Opening-up and Innovation Cooperative Mechanism of Hainan" (Guokebanqu [2020] No. 105)**  
[http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2020/202102/t20210225\\_161383.html](http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2020/202102/t20210225_161383.html)
- ▶ **Notice regarding the "Implementation Opinions on Enhancing Scientific and Technological Innovation and Forming a New Pattern for the Western Development in the New Era" (Guokefaqu [2020] No. 336)**  
[http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2020/202102/t20210225\\_161385.html](http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2020/202102/t20210225_161385.html)
- ▶ **Notice regarding extending the pilot program for the record filing of insurance companies across the Beijing-Tianjin-Hebei region**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=967936>
- ▶ **Administrative Measures for Express Delivery Packaging (MOT Order [2021] No. 1)**  
[http://xxgk.mot.gov.cn/2020/jigou/fgs/202102/t20210225\\_3527950.html](http://xxgk.mot.gov.cn/2020/jigou/fgs/202102/t20210225_3527950.html)
- ▶ **Notice regarding the "Action Plan for the Science and Technology Innovation of the Pilot Demonstration Area of Socialism with Chinese Characteristics" (Guokefaqu[2020] No. 187)**  
[https://sme.miit.gov.cn/zcfg/art/2021/art\\_941a24fe29ba469686f13f0dccf1fd7a.html](https://sme.miit.gov.cn/zcfg/art/2021/art_941a24fe29ba469686f13f0dccf1fd7a.html)

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