

# 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

- ▶ **Public notice (PN) regarding clarifying certain matters related to the implementation of Resource Tax (RT) policies (MOF/STA PN [2020] No. 34)**
- ▶ **PN regarding the continuous implementation of certain preferential RT policies (MOF/STA PN [2020] No. 32)**

### Synopsis

Since the RT Law of the People's Republic of China (hereinafter referred to as the "RT Law") will become effective on 1 September 2020 and replace the prevailing Provisional Regulations on RT, lately, the Ministry of Finance (MOF) and State Taxation Administration (STA) announced a few circulars on RT to clarify certain RT issues. (Please refer to CTIE2019035 for details of the RT Law.)

### MOF/STA PN [2020] No. 34

On 28 June 2020, the MOF and STA jointly released MOF/STA PN [2020] No. 34 ("PN 34") to clarify certain matters related to the implementation of RT policies.

Key features of PN 34 are as follows:

### **Sales income**

PN 34 reiterates that sales income of RT taxable products refers to the revenue of RT taxable products plus extra charges (excluding Value-added Tax (VAT)) collected from buyers.

It is worth noting that, PN 34 specifies that the relevant freight and other related costs (i.e., the transportation costs incurred in moving the RT taxable products from mines or places for processing to stations, docks or sites designated by buyers as well as the relevant construction fee, unloading/uploading charges, storage charges and miscellaneous relevant charges) that are supported by VAT invoices or other valid vouchers may be credited from sales income for RT purposes.

### **Self-used taxable products**

PN 34 further elaborates on the scope of self-used RT taxable products which should be deemed as sales for RT purposes, i.e., RT taxable products that are used for non-monetary assets swap, donation, debt repayment, sponsorship, fund raising, advertisement, sample, employee benefits, distribution of profits or continue manufacturing of non-taxable products.

### **Sales income for RT taxable products with unjustifiably low price or deemed sales of RT taxable products**

The methods for the determining sales income for RT taxable products with unjustifiably low price or deemed sales are set out in the Implementation Measures on the Provisional Regulations on RT (hereinafter referred to as the "RT Implementation Measures", which are valid until 1 September 2020. Please refer to CTIE2011029 for details of the RT Implementation Measures).

On top of the contents in the RT Implementation Measures, PN 34 makes amendments as follows (marked with underline):

For RT taxable products with unjustifiably low price or deemed sales, tax authorities shall be empowered to determine the sales income with methods in the following order:

- ▶ Average sales price of the same type of products by the taxpayer in the recent period;
- ▶ Average sales price of the same type of products by the other taxpayers in the recent period;
- ▶ Sales income of non-taxable products, which are processed with taxable products, shall minus the costs incurred and profits generated in the non-taxable products processing segment for RT purposes;
- ▶ Composite assessable price for RT taxable products = Costs X (1+ Profit margin ratio<sup>1</sup>) ÷ (1 - RT rate)
- ▶ Other reasonable methods

### **Sales volume**

For taxable products which are subject to RT based on their sales volume, according to the RT Implementation Measures, the sales volume should include the actual sales volume of the RT taxable products exploited or produced, as well as the volume of deemed sales for self-used RT taxable products. On top of this, PN 34 makes a slight adjustment by replacing "the volume of deemed sales for self-used RT taxable products" with "the volume of self-used RT taxable products", that is clearer.

### **Mixed sales**

Where a taxpayer purchases RT taxable products and sells them or uses them for further processing of RT taxable products together with RT taxable products exploited by the taxpayer, the amount of price or volume of the purchased RT taxable products may be credited when calculating RT. Uncredited amounts in the current period may be carried forward to the next filing period.

PN 34 shall become effective on 1 September 2020, same as that of the RT Law. PN 34 also lists out a few circulars that shall become invalid with the effectiveness of PN 34.

## MOF/STA PN [2020] No. 32

On 24 June 2020, the MOF and STA released MOF/STA PN [2020] No. 32 (“Circular 32”) to specify a few preferential RT treatments that will remain valid after the effectiveness of the RT Law.

Relevant taxpayers should refer to PN 32 for details.

<sup>1</sup> *The profit margin ratio shall be determined by tax authorities at provincial level.*

You can click this link to access the full content of PN 34:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5154098/content.html>

You can click this link to access the full content of PN 32:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5154099/content.html>

You can click this link to access the full content of the RT Law:

<http://www.npc.gov.cn/npc/c30834/201908/d80a55c3e81d48ec861399d2c73fe0f6.shtml>

You can click this link to access the full content of the RT Implementation Measures:

<http://www.chinatax.gov.cn/n810341/n810765/n812156/n812459/c1185865/content.html>

### ► **Notice regarding the public opinion consultation on the “PN regarding certain issues related to the collection and administration of RT (Discussion Draft)”**

#### **Synopsis**

According to the RT Law, on 9 July 2020, the STA released the “PN regarding certain issues related to the collection and administration of RT (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) on its official website to seek public opinions. The consultation of public opinion is open until 7 August 2020.

Key features of the Discussion Draft are as follows:

#### **Deduction of purchased RT taxable products**

For separately accounted price or volume of raw ores or ore dressing products purchased by a taxpayer and sold together with raw ores and ore dressing products exploited or produced by the taxpayer, the price or volume of raw ores or ore dressing products purchased by the taxpayer may be deducted in calculation of sales income or volume for RT purposes.

In case the purchased raw ores and raw ores exploited by a taxpayer are mixed for further processing, the RT deductible price or volume of the purchased raw ores should be calculated as follows:

Deductible price or volume of the purchased RT taxable products = Price (or volume) of purchased raw ores X (Applicable RT rate for raw ore of the local area ÷ Applicable RT rate for ore dressing products of the local area)

If the above formula is not applicable, the deductible amount should be determined by the supervising tax authorities via other reasonable methods.

## RT return

An updated RT return and its schedule are launched as an attachment of the Discussion Draft.

Same as that for receiving many other tax preferential treatments, taxpayers should perform self-assessment to determine whether they are eligible for RT preferential treatments, then apply for the preferential treatments during tax filings and maintain relevant supporting documents for future reference.

Concerned taxpayers should read the Discussion Draft and are encouraged to express opinions on or before 7 August 2020 by sending mails or logging onto <http://www.chinatax.gov.cn>.

You can click this link to access the full content of the Discussion Draft:

<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5154302/content.html>

## Business circulars

### ▶ **Notice regarding the "2020 Legislative Work Plan of the State Council" (Guobanfa [2020] No. 18)**

#### **Synopsis**

On 26 June 2020, the General Office of the State Council released the "2020 Legislative Work Plan of the State Council" (hereinafter referred to as the "2020 Legislative Plan") to clarify some legislative projects and relevant units responsible for drafting.

The 2020 Legislative Plan includes some key legislative projects as follows:

#### **Legislative projects of laws for the Standing Committee of National People's Congress to deliberate**

- ▶ Draft Stamp Duty Law
- ▶ Draft Revision to Copyright Law
- ▶ Draft Revision to Audit Law
- ▶ Draft Revision to Administrative Review Law

#### **Administrative regulations to be legislated and revised**

- ▶ Provisional Regulations on the Administration of Privately Offered Investment Funds
- ▶ Implementation Rules of the Law on the Protection of Consumer Rights and Interests
- ▶ Provisional Regulations on Enterprise Information Disclosure (Revision)

#### **Other legislative projects**

- ▶ Improve the legislation related to epidemic prevention and control
- ▶ Revise the administrative regulations with discrepancy compared to the provisions of the Foreign Investment Law

The 2020 Legislative Plan would definitely bring forth enhancement of current business environment and interested parties may refer to the Plan for more details. We will keep an eye on any further progress in this regard and update you accordingly. Please stay tuned.

You can click this link to access the full content of the 2020 Legislative Plan:  
[http://www.gov.cn/zhengce/content/2020-07/08/content\\_5525117.htm](http://www.gov.cn/zhengce/content/2020-07/08/content_5525117.htm)

▶ **Notice regarding replicating and rolling out nationwide the sixth batch of reform arrangements implemented in Pilot Free Trade Zones (PFTZs) (Guohan [2020] No. 96)**

**Synopsis**

On 28 June 2020, the State Council released Guohan [2020] No. 96 (“Circular 96”) to clarify certain matters related to replicating and rolling out nationwide the sixth batch of reform arrangements implemented in PFTZs.

Key reform arrangements mentioned in Circular 96 are as follows:

**Reform arrangements to be replicated and rolled out nationwide**

- ▶ Investment administration: nine arrangements including the “Facilitation of Real Estate Registration”, “Intelligent VAT Declaration Assistance for Small-scale Taxpayers”, “One-stop Acceptance and Processing of Permits and Licenses Approval Service”, etc.
- ▶ Trade facilitation: seven arrangements including the “Services Innovation of Financial Leasing plus Automobile Export”, “Intelligent Declaration and Navigation Services for Import and Export Goods”, “Online Processing of Border Inspection Administrative Licensing”, etc.
- ▶ Financial opening-up and innovation: four arrangements including the “Factoring Companies Access to the Central Bank’s Enterprise Credit System”, “Innovation of Green Debt Financing Instruments”, “Intellectual Property Securitization”, etc.
- ▶ Interim and post-event supervision and administrative measures: six arrangements including the “Mechanism of Fault-tolerant and Penalty-exempt List”, “Customs Notarization Electronic Delivery System”, “Business Entity Credit Repair System”, etc.
- ▶ Human resources: five arrangements including the “Online Consular Services”, “Remote Computer-based Test for Crew”, “One-stop Platform of Comprehensive Services for Entry and Exit Personnel”, etc.

**Reform arrangements to be replicated and rolled out in specific areas**

- ▶ Three arrangements will be replicated and rolled out in PFTZs: “One-time Completion of Water, Electricity, Gas, and Heating Construction Projects”, “Remote Confirmation Service for Equity Transfer Registration”, and “Reforms of the Administrative Licensing Approval for Import and Export of Wild Animals and Plants”.
- ▶ A new business model of used car exports will be replicated and rolled out in the pilot used car export areas.
- ▶ A new model of quality and flow metering for bonded aviation kerosene exports will be replicated and rolled out in bonded supervision areas.
- ▶ Air-rail combined transportation with one single system of cargo transportation will be replicated and rolled out within the administration scope of the Chengdu Railway Bureau.

It is expected that local government authorities may further issue follow-up documents for implementation. We will keep an eye on any further developments. Please stay tuned.

You can click this link to access the full content of Circular 96:  
[http://www.gov.cn/zhengce/content/2020-07/07/content\\_5524720.htm](http://www.gov.cn/zhengce/content/2020-07/07/content_5524720.htm)

- ▶ **Notice regarding further improving the foreign investment information reporting system and strengthening and improving the interim and post event supervisions (Shangbanzihan [2020] No. 240)**

### Synopsis

To support the work of opening-up and promote foreign investments, the General Office of the State Administration for Market Regulation and the General Office of Ministry of Commerce jointly released Shangbanzihan [2020] No. 240 ("Circular 240") to further improve the foreign investment information reporting system and strengthening and improving the interim and post event supervisions.

Key features of Circular 240 are as follows:

- ▶ The local competent department of commerce and relevant institutions (hereinafter referred to as the "local department of commerce"), as well as the market supervision department shall clarify the allocation of responsibilities, build and promote the communication and coordination mechanism.
- ▶ The local market supervision department shall improve the enterprise registration system. The local department of commerce shall conduct data verification in time.
- ▶ The work of publicity and training shall be enhanced to improve services. The local department of commerce and market supervision department shall publicize the interpretation of foreign investment information reporting system through multiple channels and methods to ensure that the information reporting entities fully understand their reporting responsibilities and reporting process.
- ▶ The public and transparent supervision regulations and standard system shall be completed to ensure the equality for all market entities.

Relevant enterprises are encouraged to read Circular 240 for more details.

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

[http://gkml.samr.gov.cn/nsjg/djzcj/202007/t20200706\\_319425.html](http://gkml.samr.gov.cn/nsjg/djzcj/202007/t20200706_319425.html)

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

- ▶ **Guidelines of the preferential tax policies for supporting the poverty-relief battle**  
<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c4577889/content.html>
- ▶ **Notice regarding the measures for the supervision and rating of financial leasing companies (trial)**  
[http://www.gov.cn/zhengce/zhengceku/2020-07/05/content\\_5524274.htm](http://www.gov.cn/zhengce/zhengceku/2020-07/05/content_5524274.htm)
- ▶ **Notice regarding strengthening the guidance and service for the recognition of foreign-funded High-and-New Technology Enterprises (Guokehuozi [2020] No. 114)**  
<http://www.innocom.gov.cn/kjb/tzgg/202007/687f7fe1fb554ffca065405d3ad58ff9.shtml>
- ▶ **PN regarding the supervision measures on tourists' offshore duty-free shopping in Hainan (GAC PN [2020] No. 79)**  
<http://www.customs.gov.cn/eportal/ui?pagelId=302248&articleKey=3172520&columnId=2480148>

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