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# China Tax Center

# China Tax &

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# 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 notices (PN) issued by Hainan, Ningbo, Anhui and Chongqing Provincial/Municipal Tax Services, State Taxation Administration (STA) regarding consolidated filing of property and behavior taxes**

## Synopsis

In order to optimize tax environment and reduce tax reporting burden of enterprises, according to Shuizongfa [2020] No. 48 ("Circular 48", i.e., Notice regarding measures on enhancing convenience in handling tax matters and optimizing tax environment), recently several tax authorities at the local level, including Hainan, Ningbo, Anhui and Chongqing have released PNs regarding consolidated filing of property and behavior taxes.

Taking Hainan Provincial Tax services, STA's PN [2020] No. 11 ("PN 11") as an example, the PN regarding consolidated filing of property and behavior taxes generally include the following features:

### **Property and behavior taxes covered in the consolidated filing**

From 1 December 2020, taxpayers shall file the following taxes with a new property and behavior tax (P&BT) return:

- ▶ Deed Tax
- ▶ Environmental Protection Tax
- ▶ Farmland Occupation Tax
- ▶ Land Appreciation Tax
- ▶ Real Estate Tax (RET)
- ▶ Resource Tax (RT)
- ▶ Stamp Duty (SD)
- ▶ Tobacco Tax
- ▶ Urban Land Usage Tax (ULUT)
- ▶ Vessel and Vehicle Tax

### **A newly introduced Property and Behavior Tax Return**

The Property and Behavior Tax Return (i.e., P&BT return, Attachment I of PN 11) includes a lead sheet and an appendix for tax reduction/exemption. Taxpayers should complete the relevant items on the lead sheet and the appendix if tax reduction/exemption policies are applicable. Before completing the tax return, taxpayers should first complete the information form for tax revenue (i.e., Attachment II of PN 11) for the information related to the taxable items, e.g., information related to lands which are subject to ULUT and real properties which are subject to RET. If there are any changes to such information, taxpayers should update the information form for tax revenue before completing the P&BT return.

### **Tax filing periods**

According to PN 11, in order to reduce the tax filing frequency and improve convenience for tax reporting, from 1 December 2020, RT and SD shall be filed on a quarterly basis (within 15 days following each quarter end) or filed when tax liability arises. However, taxes that are filed on different filing periods may be filed in the same P&BT return. For example, an enterprise files its ULUT on a quarterly basis and its provisional LAT on a monthly basis, so the enterprise may file its first quarter ULUT and provisional LAT for March in the same P&BT return, i.e., the provisional LAT for the other months are still filed independently by using the P&BT return but for the month of March, an extra ULUT would be included in the P&BT return.

### **Tax filing for real estate transactions**

Currently, taxes related to real estate transactions are filed separately with the tax filing system of real estate registration. Upon the launch of the P&BT return, the prevailing tax filing system of real estate registration shall still be in use.

Although the PNs released by local tax authorities may be similar, the practices may still vary; taxpayers should read the PNs announced by the supervising tax authorities for details and check on the relevant implementation at the local level to confirm the compliance arrangement in practice. It is also a move that may make easy for tax authorities to cross check information reported for different kinds of tax, taxpayers should pay special attention to the details and ensure that conflicting information would not be reported. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 11:

[http://hainan.chinatax.gov.cn/xxgk\\_6\\_1/20130463.html](http://hainan.chinatax.gov.cn/xxgk_6_1/20130463.html)

You can click this link to access the full content of the PN issued by the Ningbo Municipal Tax Service, STA regarding consolidated filing of property and behavior taxes:

[http://ningbo.chinatax.gov.cn/art/2020/11/26/art\\_3540\\_153022.html](http://ningbo.chinatax.gov.cn/art/2020/11/26/art_3540_153022.html)

You can click this link to access the full content of the PN issued by the Anhui Provincial Tax Service, STA regarding consolidated filing of property and behavior taxes:

[http://anhui.chinatax.gov.cn/art/2020/11/23/art\\_13773\\_44639.html](http://anhui.chinatax.gov.cn/art/2020/11/23/art_13773_44639.html)

You can click this link to access the full content of the PN issued by the Chongqing Municipal Tax Service, STA regarding consolidated filing of property and behavior taxes:

[http://chongqing.chinatax.gov.cn/cqtax/xxgk/tzgg/202011/t20201123\\_319303.html](http://chongqing.chinatax.gov.cn/cqtax/xxgk/tzgg/202011/t20201123_319303.html)

## Business circular

### ► **Notice regarding public opinion consultation on the “Law of the People’s Republic of China on Administrative Review (Revised) (Discussion Draft)”**

#### **Synopsis**

To enhance the openness and transparency of legislation and improve the quality of legislation, on 24 November 2020, the Ministry of Justice (MOJ) released the “Law of the People’s Republic of China on Administrative Review (Revised) (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) to seek public opinion.

Some key changes made in this Discussion Draft are summarized as follows:

#### **General provisions**

- Establish the role of a primary way for resolving administrative disputes as the purpose of legislation. (Article 1)
- Improve the regulations on administrative review authorities. (Article 4, Article 5)
- According to the Discussion Draft, it is stipulated that if an applicant is not satisfied with the administrative review decision, he or she should appeal to the court for that administrative act. (Article 10)

#### **Scope of administrative review**

- The scope of administrative review is expanded: administrative rulings, administrative compensation and government information disclosures are incorporated into the scope of administrative review. (Article 11)
- The “negative list” of the scope of administrative review is clearer: except for those explicitly excluded, all other administrative acts can apply for administrative review. (Article 12)
- The scope of collateral review is expanded. (Article 13)

## Application for administrative review

- ▶ Relevant regulations on applicant representatives and agents are improved, and a legal aid mechanism of administrative review for citizens in financial difficulties is established. (Articles 15 to 18)
- ▶ Identification rules of respondents under special circumstances are further clarified. (Articles 19 to 23)
- ▶ The application period for administrative review is extended from 60 days to six months. (Article 24)

## Acceptance of administrative review

- ▶ Conditions of administrative review acceptance are standardized. (Article 35)
- ▶ A supplementary and correction system for administrative review applications is created. (Article 38)
- ▶ An application rejection system for cases that are found not meeting the conditions after acceptance is created. (Article 40)

## Administrative review procedures

- ▶ It is stipulated that opinions of public shall be heard with flexibility while handling cases and administrative review procedures shall be simplified. (Article 42)
- ▶ Rules on evidence for administrative review are improved. (Articles 49 to 56)
- ▶ A classified trial system is set up to process complicated and simple cases differently to reduce time costs. (Articles 63 to 65)

## Administrative review decisions

- ▶ Enhance the impartiality of administrative review decisions: it is stipulated that cases where the opinions of the Administrative Review Committee are not adopted shall be discussed and approved by the persons in charge of the administrative review authority; for cases with hearings, administrative review decisions shall be made based on the hearing transcripts. (Article 71)
- ▶ It is stipulated that cases subject to simplified procedures shall be settled within 30 days. (Article 83)
- ▶ A disclosure system of administrative review decisions is established. (Article 89)

## Legal liability

- ▶ Administrative review authorities' failure to perform administrative review duties in accordance with law are incorporated into the scope of accountability. (Article 90, Article 91)
- ▶ Accountability provisions for refusing or obstructing investigation and evidence collection of administrative review are newly added. (Article 94)
- ▶ Improve the linkage mechanism between administrative review and discipline inspection and supervision. (Article 95, Article 96)

The public are encouraged to express opinion on or before 23 December 2020 by logging onto the official websites ([www.moj.gov.cn](http://www.moj.gov.cn) or [www.chinalaw.gov.cn](http://www.chinalaw.gov.cn)) or by sending mails to [xzfyf@chinalaw.gov.cn](mailto:xzfyf@chinalaw.gov.cn).

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

[http://sfks.moj.gov.cn/government\\_public/content/2020-11/24/657\\_3260477.html](http://sfks.moj.gov.cn/government_public/content/2020-11/24/657_3260477.html)

## Customs circular

- ▶ **PN regarding the "Measures for the Supervision on the Implementation of the Zero Custom Duty (CD) Policy for Imports of Raw and Auxiliary Materials in Hainan Free Trade Port (FTP) (Trial)" (GAC PN [2020] No. 121)**

### Synopsis

To support the construction of Hainan FTP, on 30 November 2020, the General Administration of Customs (GAC) released the "Measures for the Supervision on the Implementation of the Zero CD Policy for Imports of Raw and Auxiliary Materials in Hainan FTP (Trial) (hereinafter referred to as the "Trial Measures")" via GAC PN [2020] No. 121.

Trial Measures consist of 15 articles and its key features are as follows:

### **Zero CD policy**

- ▶ Where enterprises registered in Hainan FTP with independent legal entity status, the imports of raw and auxiliary materials (hereinafter referred to as the "Zero CD materials") shall be exempt from import level CD, Value-added Tax (VAT) and Consumption Tax (CT) provided that they are in the list of Zero CD Materials and consumed in the following activities:
  - ▶ Manufacturing for self-use purposes by enterprises registered in Hainan FTP;
  - ▶ Processing trade of import bonded materials and re-exporting the finished products after processing or assembly in Hainan FTP; and
  - ▶ Eligible service trade business
- ▶ For the parts to be used for maintenance of aircrafts or vessels, the import CD, VAT and CT shall be exempt if one of the following criteria is met:
  - ▶ The parts are used for maintenance of aircrafts/vessels or their relevant parts that have already entered the territory of China and shall exit China after the maintenance.
  - ▶ The parts are used for maintenance of aircrafts or their relevant parts that are operated by airline companies with the main operation base in Hainan.
  - ▶ The parts are used for the maintenance of qualifying vessels or their relevant parts that are operated by shipping companies registered in Hainan with independent legal status.

### **Requirements for enterprises**

- ▶ Where enterprises conduct the business of Zero CD materials, they shall prepare the special electronic accounts, complete the record filing for information of goods in electronic accounts, verify the consumption situation and report to Customs.
- ▶ Where enterprises import the Zero CD materials, they shall report the Bonded Goods Verification and Remark Checklists (保税核注清单) to Customs before conducting the application formalities for declaration forms/record filing lists. For enterprises paying the import level VAT and CT on a voluntary basis, they shall make corresponding application when completing the customs declaration.

### **Tax recover**

- ▶ The zero CD materials shall only be consumed for manufacturing process of enterprises in Hainan FTP and subject to supervision of Customs, and not allowed to be resold or transported to areas outside of Hainan FTP. Enterprises need to resell or transport those materials outside due to certain reasons (e.g., bankruptcy), they shall repay corresponding tax in accordance with laws and complete the customs formalities.
- ▶ If the finished goods produced with zero CD materials are to be resold in Hainan FTP or to the Mainland, the exempted import CD, VAT and CT shall be recovered, and the customs formalities shall be completed.
- ▶ If the zero CD materials or finished goods produced with the zero CD materials are directly exported, the relevant taxes shall not be repaid, and they would be subject to the prevailing tax policies related to the export of goods.

Trial Measures shall become effective from 1 December 2020. It also specified other tax administrative measures on zero CD materials. Relevant parties are encouraged to read Trial Measures for more details. If in doubt, consultation with professionals are always recommended.

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

<http://www.customs.gov.cn/customs/302249/2480148/3413186/index.html>

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

- ▶ **Notice regarding the thirteenth batch of mobile medical vehicles of the “Health Express for Mothers” project eligible for Vehicle Purchase Tax exemption (Caishui [2020] No. 49)**  
<http://czt.ah.gov.cn/public/7041/145409101.html>
- ▶ **Regulations on the Supervision of Insurance Agents (CBIRC Order [2020] No. 11)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=944090>
- ▶ **Implementation measures on administrative licensing items of trust companies (CBIRC Order [2020] No. 12)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=944462&itemId=928&generaltpe=0>
- ▶ **PN regarding matters related to completely banning solid waste imports (MEE/MOFCOM/NDRC/GAC PN [2020] No. 53)**  
[http://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202011/t20201125\\_809835.html](http://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202011/t20201125_809835.html)
- ▶ **Opinions on providing judicial services and guarantees for promoting the integrated development of the Yangtze River Delta Region (Fafa [2020] No. 22)**  
<http://www.court.gov.cn/fabu-xiangqing-274601.html>
- ▶ **Opinions on promoting the high-quality development of the digital culture industry (Wenlvchanyefa [2020] No. 78)**  
[http://www.gov.cn/zhengce/zhengceku/2020-11/27/content\\_5565316.htm](http://www.gov.cn/zhengce/zhengceku/2020-11/27/content_5565316.htm)
- ▶ **PN regarding the format of electronic reports for water and air transportation facilities for entry and exit cargos as well as domestic freight of goods under customs supervision (1.4 version) (GAC PN [2020] No. 119)**  
<http://www.customs.gov.cn/customs/302249/2480148/3391663/index.html>



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