

June 2012

Circular Number	Issuance Date	Effective Date	Topic	What is new?
Circular Cai Shui [2012] No. 48	2012-5-30	2011-1-1 to 2015-12-31	Advertisement expenses	<p>The Circular Cai Shui [2012] No. 48 is effective retroactively from 1 January 2011. It provides rules for deduction of advertisement expenses for the three industries of pharmaceutical manufacturing, beverage manufacturing (excluding alcohol manufacturing) and cosmetics manufacturing and sales.</p> <p>Usually, the annual deduction amount for advertisement expenses will be capped at 15% of annual sales. The exceeding portion, if any, can be carried forward to future years without limitation. Such cap is raised to 30% of annual sales by Cai Shui [2012] No. 48 for the aforesaid three industries.</p> <p>It is also clarified in Cai Shui [2012] No. 48 that advertisement expenses for tobacco industry are not deductible at all.</p>
Circular Cai Shui [2012] No. 39	2012-5-25	2011-1-1	Export VAT refund	<p>The Circular Cai Shui [2012] No. 39 is effective retroactively from 1 January 2011. It clarifies several VAT refund issues for exports.</p> <p>(1) The VAT refund rate will be the VAT levying rate (normally 17%), unless otherwise provided by the State Administration of Taxation ("SAT"). This means no VAT costs will be incurred by the exporting company unless SAT provides a specific VAT refund rate for the goods exported.</p>

China Tax Regulation Update

				<p>(2) Goods purchased by a trading company from a domestic small-scale VAT payer can be entitled to VAT refund as well in an export. The VAT refund rate will be normally 3%. Previously, VAT refund was not possible for export of goods purchased from a domestic small-scale VAT payer.</p> <p>(3) Different exported goods should be recorded separately. Otherwise, the lowest VAT refund rate applies.</p> <p>(4) Export of software products (HS code 9803) is not entitled to VAT refund. Instead, a VAT exemption applies. VAT exemption means that the relevant input VAT cannot be deducted from the output VAT of the exporting company, and therefore shall be treated as cost of the company.</p>
Decree of SAT [2012] No. 24	2012-6-14	2011-1-1	Filings for export VAT refund	<p>Decree [2012] No. 24 is effective retroactively from 1 January 2011. It clarifies several filing issues for export VAT refund.</p> <p>(1) Export companies should apply for the qualification of export VAT refund status with the competent tax authorities within 30 days as from their registration with the relevant authority of commerce as a foreign-trade operating company.</p> <p>(2) Exports must be reported to the competent tax authorities within 15 days of the next month in</p>

China Tax Regulation Update

				<p>order to apply for the VAT refund.</p> <p>(3) In application for VAT refund for cross-border transactions settled in RMB, no Verification and Cancellation Sheet for foreign exchange is needed.</p>
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For further information, please contact:

Charlie Sun
 Head of Tax Practice Area Group
 E charlie.sun@cmslegal.cn

T +86 21 6289 6363
 F +86 21 6289 0731