

China Insight – Chinese Tax Regulation Update




Circular Number	Issuance Date	Effective Date	Topic	What is new?
Shui Zong Zheng Ke Fa [2024] No. 38	2024-07-29	2024-09-01	Simplified procedures for cross-region relocation for a unified national market	<p>Effective from September 1, 2024, the following key measures will be implemented to streamline the process of cross-region relocations:</p> <p>The tax authorities shall enhance information sharing with the market supervision authorities and offer timely guidance through e-tax platforms to the taxpayers for cross-region relocations.</p> <p>In the course of cross-region relocation, the tax authorities shall either expedite the processing formalities if the taxpayer chooses to proceed with handling the outstanding tax matter, or close the matter promptly if the taxpayer chooses to give up the outstanding tax matter.</p> <p>For the taxpayers using the fully digitalized electronic invoices, the information system will automatically transfer the information of their invoicing quota to the new place to which the taxpayers are relocated. For those using Golden Tax Device, the information of the device can be changed directly online without physical submission of the device for cancellation.</p> <p>In case the taxpayer has low-risk tax matters pending for handling, the current tax authorities shall transfer the risk handling information to the tax authorities of the place to which the taxpayer will be relocated. In case medium and high-risk tax matters exist, the current tax authorities shall close the matters within the prescribed time and complete the formalities of transfer in time.</p>

				<p>The taxation system shall automatically remind the taxpayers for relocation of tax refund in case tax overpayment exists and the tax authorities shall refund the taxes in time before relocation. If the taxpayer chooses not to get refund for the time being, the tax authorities shall guide the taxpayers of how to claim tax refund after relocation.</p> <p>The tax authorities of the place to which the taxpayer is relocated shall provide "one-stop" services to ensure that the taxpayer's tax credit rating, invoicing quota, prepaid tax information, tax loss for recovery, general VAT payer status, uncredited input VAT amounts, etc. remain unchanged and guide the taxpayer for resolving the outstanding tax matters that existed before relocation.</p> <p>In view of the different practices adopted by the local tax authorities, it is still suggested that the taxpayer intending for relocation should consult the in-charge tax authorities to figure out the detailed implementation process before tax relocation.</p>
Announcement [2024] No. 14 jointly issued by the Ministry of Finance ("MOF") and the State Taxation Administration ("SAT")	2024-08-27	2024-10-01	Stamp duty policy for corporate restructuring and institutional reform	<p>The Announcement took effect on October 1, 2024 and will remain in force till December 31, 2027. It clarifies the stamp duty treatments of dutiable items in the course of corporate restructuring and institutional reform.</p> <p>1. Stamp duty on business accounting books</p> <ul style="list-style-type: none"> • It is clarified that the companies formed as a result of corporate restructuring or institutional reform only need to pay stamp duty that should have been paid but not paid yet and for the incremental paid-in capital and the capital surplus. • The incremental paid-in capital and capital surplus due to debt-to-equity conversion shall be subject to stamp duty, unless the conversion is part of a restructuring scheme approved by the State Council. • The incremental paid-in capital and capital surplus arising from the re-evaluation due to corporate restructuring or institutional reform shall be subject to stamp duty. • The incremental paid-in capital and capital surplus transferred from other accounting items shall be subject to stamp duty. <p>2. Stamp duty on dutiable contracts</p>

				<p>In the event that the rights and obligations under the dutiable contracts are assumed by the surviving entity after restructuring and the original tax basis of the contracts does not change, no more stamp duty needs to be paid if the relevant stamp duty has already been paid before restructuring.</p> <p>3. Stamp duty on property transfer deeds</p> <ul style="list-style-type: none"> • The property transfer deeds set up for restructuring activities such as changes of organization form, mergers, splits or liquidations are exempt from stamp duty. • The property transfer deeds set up due to administrative adjustments from the governments above the county level or their departments responsible for management of state-owned assets are exempt from stamp duty. • The property transfer deeds set up for the land use rights and the ownership of buildings and facilities and equity interests due to internal re-allocation within the same investment group are exempt from stamp duty. "Within the same investment group" refers to the relations between the parent company and its wholly owned subsidiaries, between the wholly owned subsidiaries of the same company and between the same natural person and the sole proprietorships, one-person limited liability companies or the private business set up by the natural person.
Cai Guan Shui [2024] No. 21 issued jointly by the MOF, the National Health Commission, the General Administration of Customs, the SAT and the National Medical Products Administration	2024-09-05	2024-09-05	"Zero import tax" of drugs and medical device in the Hainan Free Trade Port ("HFTP")	<p>The Circular allows the recognized medical institutions, tertiary schools of medical education and scientific research institutions of healthcare and medicine that have legal person status and are registered in the Bo'ao HOPE City of the HFTP to enjoy import duty and import VAT exemption for importing the qualified drugs and the medical device.</p> <p>The "qualified drugs and medical device" include the imported drugs and medical device that have been approved for registration in China and the imported drugs (excluding vaccines) and medical device which are not approved for registration in China yet but approved by the Hainan government for use in the HOPE City.</p> <p>The drugs and medical device imported by the tertiary schools of medical education and the scientific research institutions of healthcare and medicine based on the import tax-free policy shall</p>

				<p>be used only in the HOPE City. In case a relevant institution has to transfer the import tax-free drugs and medical device due to objective reasons, it must report the transfer to the drug supervision and administration authorities and the hygiene and health authorities of Hainan and make up the import duty and import VAT.</p> <p>The import tax-free drugs and medical device cannot be transferred to individuals unless the drugs and the medical device are sold to the patients who visit the medical institutions physically based on the prescriptions issued by the doctors of the medical institutions. The patients must use the import tax-free drugs and medical device in the HOPE City and cannot resell them or take or deliver them out of the HOPE City.</p>
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