

China Insight – Chinese Tax Regulation Update




Circular Number	Issuance Date	Effective Date	Topic	What is new?
Announcement [2024] No. 3 jointly released by the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT")	2024-04-16	2024-01-01	Land Appreciation Tax ("LAT") policies for the reform of rural collective property rights system	From 1 January 2024, transferring or changing the title of the state-owned land use rights and the buildings and the attachments on the land to rural collective economic organizations in accordance with the requirements for the reform of the rural collective property rights system is exempt from LAT.
Announcement [2024] No. 2 jointly released by the MOF and the SAT	2024-04-17	2024-01-01	Individual Income Tax ("IIT") policies relating to equity incentives of listed companies	From 1 January 2024 through 31 December 2027, for stock options, restrictive stock and share incentives granted by domestic listed companies to individuals, upon completion of filing formalities with the competent tax authorities, the individuals may pay IIT within 36 months from the date of exercise of stock options, the date when the blackout period of restrictive stocks ends or the share incentives are obtained. Compared with the superseded policy, under this new policy, the tax deferral period has been prolonged from 12 months to 36 months. However, if the individual resigns from employment during the tax deferral period, he / she shall settle all taxes prior to resignation.

<p>SAT Announcement [2024] No. 5</p>	<p>2024-04-24</p>	<p>2024-04-29</p>	<p>"Reverse invoicing" practice adopted by resource recycling enterprises for purchasing scrapped products from individuals</p>	<p>With effect from April 29, 2024, when a qualified individual sells scrapped products to a resource recycling enterprise ("RRE"), the qualified RRE may issue an invoice to the seller (i.e., the "reverse invoicing" practice).</p> <p>The following main points are provided by the Announcement to interpret the "reverse invoicing" practice:</p> <ul style="list-style-type: none"> • "Qualified individual" refers to a natural person who sells self-used or purchased scrapped products and has a cumulative VAT-exclusive sales revenue under the "reverse invoicing" practice of no more than RMB 5 million during no more than 12 consecutive calendar months. • A qualified RRE implementing the "reverse invoicing" practice shall obtain the permits from or is registered with the relevant authorities for collecting hazardous wastes, scrapped automobiles or other recoverable resources. • In the event that the qualified RRE is subject to VAT under the general taxation method, it is allowed to issue either special VAT invoices or normal VAT invoices to the individual seller under the "reverse invoicing" practice. In the event that the qualified RRE is subject to VAT under the simplified taxation method, it is allowed to issue only normal VAT invoices to the individual seller under the "reverse invoicing" practice. A general VAT payer RRE having opted the simplified taxation method is allowed to shift to the general taxation method before 31 July 2024, but it is not allowed to shift back to the simplified taxation method within the following 36 months. • The RREs having issued invoices under the "reverse invoicing" practice are allowed to issue red-ink invoices in case sales return, sales rebate or incorrect invoicing occurs. • When issuing invoices under the "reverse invoicing" practice to a seller, the RRE shall deal with the declaration and payment of VAT and the associated surcharge taxes as well as IIT on behalf of the individual seller. The individual sellers are allowed to enjoy the prevailing preferential VAT treatment applicable to small-scale VAT payers (i.e., VAT exemption for monthly turnover lower than RMB 100,000 and the reduced VAT levy rate of 1%). Individual sellers are subject to 0.5% provisional IIT for selling scrapped products under the "reverse invoicing" practice and shall
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				<p>make annual IIT self-declaration with the tax authorities before 31 March of the following year.</p> <ul style="list-style-type: none"> The invoices issued under the “reverse invoicing” practice are qualified “VAT invoices received from the sellers” for VAT refund-upon-levy policy applicable to products / services with comprehensive utilization of resources.
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In case you have questions or for further information, please contact the author of this newsletter:



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