

China Insight – Chinese Tax Regulation Update



Dear Sir or Madam,

Please find enclosed our update on the latest developments on Chinese Tax Law.

Kind regards,
CMS, China

| Circular Number | Issuance Date | Effective Date | Topic | What is new? |
|--|---------------|----------------|---|--|
| Announcement [2019] No. 87 ("Announcement 87"), jointly released by the Ministry of Finance ("MoF") and the State Administration of Taxation ("SAT") | 2019-09-30 | 2019-10-01 | 15% input VAT super-credit for taxpayers providing lifestyle services | <p>As a follow-up circular of Announcement [2019] No. 39 ("Announcement 39") jointly released by the MoF, the SAT and the General Administration of Customs ("GAC"), this Announcement 87 stipulates that during the period from 1 October 2019 to 31 December 2021, VAT payers providing lifestyle services are entitled to a 15% input VAT super-credit, instead of 10% under Announcement 39. Qualified VAT payers are those receiving more than 50% of the total revenues from lifestyle services, the scope of which has been defined under the circular Caishui [2016] No. 36.</p> <p>A VAT payer established before 30 September 2019 can enjoy the 15% input VAT super-credit from 1 October 2019, if its revenue derived during the period from October 2018 to September 2019 (or its actual revenue if it has been operating for less than 12 months) meets the threshold.</p> <p>A VAT payer established after 1 October 2019 can enjoy the 15% input VAT super-credit from the date on which it is registered as a general VAT payer, if its revenue of the first 3 months since establishment meets the threshold.</p> <p>Once a VAT payer is entitled to the 15% input VAT super-credit, no adjustment is allowed during the year. Revenue of the previous year shall be referred to when the qualification for the super-credit is evaluated in subsequent years.</p> <p>Super-credit amount is 15% of total creditable input VAT of the period. Non-creditable input VAT cannot</p> |

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| | | | | be included in the calculation basis. Under the situation where creditable input VAT later turns out to be non-creditable, super-credit amount of the period during which the input VAT becomes non-creditable shall be adjusted accordingly. |
| SAT Announcement [2019] No. 33 | 2019-10-09 | 2019-10-01 | Administrative management of VAT invoices | <p>According to the Announcement:</p> <ul style="list-style-type: none"> • VAT payers qualifying for the 15% input VAT super-credit policy (“the Policy”) under Announcement 87, upon first application of the Policy for that year, shall submit the <i>Statement of Application for the 15% Super Credit Policy</i> (“Statement”) to the tax authorities. If the VAT payer continues qualifying for the Policy in the subsequent years, the Statement shall be submitted upon first application of the Policy in each subsequent year. • If information of Customs Payment Certificate shown on <i>VAT Invoice Selection and Confirmation Platform</i> (“the Platform”) is not correct or the information cannot be found on the Platform, the taxpayer may either directly upload the Customs Payment Certificate onto the Platform or deliver electronic information of the Customs Payment Certificate to the competent tax authorities for verification. • If the assessment result of Customs Payment Certificate shows inconsistency or incomplete, the taxpayer may apply with the competent tax authorities for data correction or verification. The 180-day rule for application for data correction or verification under Announcement [2013] No. 31 issued jointly by the SAT and the GAC has now been cancelled. Taxpayers who fail to utilize Customs Payment Certificate for credit purpose due to failure to meet the 180-day rule can now re-apply with the competent tax authority for data correction or verification. • All small-scale VAT payers (except other individuals) can issue special VAT invoices on their own via the <i>VAT Invoice Management System</i>. For small-scale VAT payers that choose to self-issue special VAT invoices (including the situation where the small-scale VAT payers sell real estate), tax authorities will no longer issue special VAT invoices on their behalf. |

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For further information, please contact:



Gilbert Shen
 Counsel
 Head of Tax Practice Area Group
 CMS, China
 T +86 21 6289 6363
 F +86 21 6289 0731
 E gilbert.shen@cmslegal.cn