

Tax Updates

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In our July 2022 Issue of Newsletter, we will continue to discuss some of the important updates in PRC Tax in the First Half of 2022.

在2022年7月的時事通訊中，我們將繼續討論2022上半年中國稅收的一些重要更新事項。

VAT Tax Exemption available to Small-Scale Taxpayers in Q2 – Q4 2022

Taxpayers are advised to evaluate the Tax Impact to their buyers in applying VAT Tax Exemption

The VAT Tax Relief applies to income subject to 3% Tax Rate for Small-Scale Taxpayers in Mainland China (No Relief is available to Income subject to 5% Tax Rate). Since the outbreak of COVID-19, the Mainland Government has already announced that the applicable income would only be subject to 1% Tax Rate and such policy continued in Q1 of Year 2022.

In March 2022, the State Taxation Administration has further announced that, for Q2 to Q4 of Year 2022, the applicable income is now exempt from VAT. Income subject to Prepayment of 3% VAT Tax Rate can now holdover from VAT Payment as well. Provided that VAT is payable no matter a company derives a profit or not, the Tax Exemption is going to provide big relief to the Small-Scale Taxpayers during the economic recession.

Points to note

As a recap, Small-Scale Taxpayers generally refer to Taxpayers with Annual Sales of RMB 5 Million of below in Mainland China. They are eligible to enjoy the VAT Tax Exemption for Q2 to Q4 of Year 2022.

Having said that, upon request from customers, Small-Scale Taxpayers may still need to issue Special VAT Invoice to their customers so that such invoice can be used by their customers to set-off against their VAT Liabilities. In such case, the Small-Scale Taxpayers are still subject to 1% VAT Tax Rate.

The Relief allows a taxpayer to select part of its income to apply for VAT Tax Exemption, while other part of income to withdraw from VAT Tax Exemption due to customers request. To apply for Tax Exemption, taxpayers should issue Tax-Exempt VAT Invoice (免稅的普通發票). Taxpayers have to select "Tax-Exempt" in the return, rather than selecting Tax Rate of 3% / 1% or 0%. While for those income withdrawn from VAT Exemption, taxpayers should issue Special VAT Invoice.

Taxpayers should always consider their business situation and relationship with its business partners to decide whether a Tax Relief should be selected as some Tax Relief may not turn out to be beneficial to all Taxpayers.

Reference

<http://www.chinatax.gov.cn/chinatax/n810351/n810906/c5174222/content.html>

China COVID-19 Relief: Maximum 50% Reduction on “Six Local Tax and Two fees”

50% Reduction is available to VAT Small-Scale Taxpayers, Small Low-Profit Enterprises and Individual Industrial and Commercial Household only

In March 2022, the State Taxation Administration announced a maximum of 50% Tax Reduction from 1 January 2022 to 31 December 2024 on the following Local Tax and fees:-

- ✓ Resource Tax
- ✓ City Maintenance and Construction Tax
- ✓ Real Estate Tax
- ✓ Urban and Township Land Use Tax
- ✓ Stamp Duty (Excluding Stock Trading Stamp Duty)
- ✓ Farmland Occupation Tax
- ✓ Educational Surcharge
- ✓ Local Education Surcharge

This Tax Relief is available to following entities:-

- ✓ VAT Small-Scale Taxpayers
- ✓ Small Low-Profit Enterprises
- ✓ Individual Industrial and Commercial Household

Even when the Taxpayers have already enjoyed other benefits in the above type of tax and fee, the Taxpayers are still eligible to enjoy the Tax Relief.

There is not requirement for the Taxpayers to submit additional information to apply for this tax relief. The system will automatically calculate the tax liabilities at a reduced rate.

Reference

<http://www.chinatax.gov.cn/chinatax/n810351/n810906/c5174055/content.html>

Points to note

The Tax Relief is going to significantly reduce the Tax Burden of Small-medium Sized Enterprise in China. As such, it is important to review the Definition of VAT Small-Scale Taxpayers and Small Low-Profit Enterprises.

VAT Small-Scale Taxpayers

The Annual Sales of VAT Small-Scale Taxpayers cannot exceed RMB 5 Million. If the entity has already selected itself to be General Taxpayer in VAT, it is not allowed to change back to Small-Scale Taxpayers under normal circumstances.

Small Low-Profit Enterprises

All of the following conditions have to be fulfilled at the same time:-

- ✓ Does not engage in restricted or prohibited business;
- ✓ The amount of Assessable Profits does not exceed RMB 3 million;
- ✓ The number of staff does not exceed 300; and
- ✓ The amount of asset does not exceed RMB50 million.

Taxpayers are advised to check thoroughly the criteria of each Tax Relief and monitor closely their business size in order to ensure that they are qualified for the Tax Relief.

Enhanced Tax Deduction on R&D Enterprises in China in Years 2021 and 2022

Enhanced R&D Tax Deduction is now extended to Manufacturing and Small and Medium-Sized Technological Enterprises

Enhanced Tax Deduction is now available to the below R&D expenses:-

- Actual R&D expenses incurred in the course of R&D activities; and
- Amortisation of Intangible Assets generated from R&D activities.

Below are Enhanced Tax Deduction Rates available to various type of enterprises in China:-

Various Type of Entity	Coverage Period	Enhanced Tax Deduction Rate on R&D expenses
All Enterprise (except for Manufacturing and other businesses*)	1 January 2018 - 31 December 2023	175%
Manufacturing Enterprise#	Starting from 1 January 2021	200%
Small and Medium-Sized Technological Enterprises^	Starting from 1 January 2022	200%

* Other businesses comprise Accommodation and Catering, Retail and Distribution, Immovable Property, Leasing and Business Centre and Entertainment Business

To qualify as Manufacturing Enterprise, over 50% of Revenues of the enterprise have to be generated from manufacturing business

^ Please refer to the below Reference Link for the Definition of Small and Medium-Sized Technological Enterprises

Reference

http://www.gov.cn/fuwu/2020-06/08/content_5518012.htm

Points to note

We can observe that Mainland China authorities have exerted extensive effort to promote the technological development of Chinese Enterprises. The Tax benefits are now not limited to Reduced Corporate Income Tax Rates of 15% for High and New Technology Enterprise. With the above introduction of above Enhanced R&D Tax Deduction, Chinese Enterprises carrying out R&D activities are now enjoying tremendous amount of tax benefits in addition to other government subsidies.

MNCs purely engaged in R&D activities in Mainland China may select to incorporate a Wholly-owned Foreign Enterprise (WFOE) or a Representative Office (RO) when it is not expected to derive any income in Mainland China. Besides other general considerations, the tax relief would be another important consideration to set up a WFOE or RO as they are generally available to Chinese Tax Resident Enterprise only. In such case, it is unlikely that RO will be able to enjoy such benefits.



小規模納稅人於2022年第二至第四季度免徵增值稅

建議納稅人在申請增值稅免稅時評估其買方對稅務的影響

增值稅減免適用於中國內地按3%徵收應稅銷售收入的小規模納稅人（適用5%徵收率的納稅人不予減免）。自新冠疫情爆發以來，小規模納稅人適用3%徵收率的應稅銷售收入減按1%徵收率徵收增值稅的政策，一直維持到了2022年第一季度。

2022年3月，國家稅務總局進一步公告，2022年第二季度至第四季度適用收入免徵增值稅。適用3%預徵稅率的預繳增值稅項目，暫停預繳增值稅。由於無論公司是否處於盈利狀態都應繳納增值稅，免稅政策在經濟不景時將大大減輕小規模納稅人的負擔。



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■ 注意事項

在中國大陸，小規模納稅人一般指年銷售額在500萬元人民幣以下的納稅人。他們有資格享受2022年第二至第四季度的增值稅免稅政策。

話雖如此，根據客戶的需求，小規模納稅人可能仍需要向其客戶開具增值稅專用發票，以便其客戶可以使用該發票抵銷應繳增值稅稅款。在這種情況下，小規模納稅人仍適用1%的增值稅稅率。

該減免政策允許納稅人選擇其部分收入申請增值稅免稅，而其他部分收入因應客戶要求放棄免稅並開具增值稅專用發票。納稅人申請免稅時，應開具「免稅」的普通發票，而不要選擇3% / 1% / 0%的稅率。對放棄免徵增值稅的收入，納稅人應當開具增值稅專用發票。

總的來說，納稅人應該考慮其業務狀況和與業務合作夥伴的關係，以選擇是否應選擇稅收減免，因為某些稅收減免不一定對所有納稅人有正面的影響。

參考資料：

<http://www.chinatax.gov.cn/chinatax/n810351/n810906/c5174222/content.html>

中國新冠疫情稅收減免政策： “六稅兩費” 最多減免50%

50% 減免適用於增值稅小規模納稅人、小型微利企業和個體工商戶

2022 年 3 月，國家稅務總局宣佈，自 2022 年 1 月 1 日至 2024 年 12 月 31 日，以下地方稅項及費用減免 50%：-

- ✓ 資源稅
- ✓ 城市維護建設稅
- ✓ 房產稅
- ✓ 城鎮土地使用稅
- ✓ 印花稅（不含證券交易印花稅）
- ✓ 更低佔用稅
- ✓ 教育附加
- ✓ 地方教育附加

此稅收減免政策適用於以下實體：-

- ✓ 增值稅小規模納稅人
- ✓ 小型微利企業
- ✓ 個體工商戶

即使納稅人已享受上述稅費的其他優惠待遇，仍可享受此項稅收減免。

納稅人無需提交額外資料以申請此項稅收減免。系統將自動以較低的稅率計算應納稅額。

參考資料：

<http://www.chinatax.gov.cn/chinatax/n810351/n810906/c5174055/content.html>

■ 注意事項

稅收減免政策將大大減輕中國中小企業的稅務負擔。因此，對增值稅小規模納稅人和小型微利企業的定義進行重新審視具有重要意義。

增值稅小規模納稅人

增值稅小規模納稅人的年銷售額不得超過 500 萬元人民幣。一般情況下，已選擇成為增值稅一般納稅人的，不得轉回小規模納稅人。

小型微利企業

必須同時滿足以下所有條件：-

- ✓ 不從事國家限制或禁止的業務；
- ✓ 應稅利潤不超過 300 萬元人民幣；
- ✓ 員工總人數不超過 300 人；和
- ✓ 資產總額不超過 5000 萬元人民幣。

我司建議納稅人徹底檢查每項稅收減免的標準，並密切監控其業務規模，以確保有資格獲得稅收減免。

中國內地在2021和2022年加大對研發企業的稅收減免力度

研發開支加計扣除現延伸至製造業和中小型科技企業

研發開支加計扣除現已涵蓋以下研發費用：-

- 研發活動中實際產生的研發費用；及
- 研發活動產生的無形資產攤銷。

以下是適用於中國各行業的研發開支加計扣除比率：-

企業類型	覆蓋期間	加計扣除比率
所有企業（製造業和其他業務除外*）	2018年1月1日-2023年12月31日	175%
製造型企業#	2021年1月1日開始	200%
科技型中小企業^	2022年1月1日開始	200%

* 其他業務包括住宿和餐飲、零售和分銷、不動產、租賃和商務中心以及娛樂業務

需超過50%的收入來自製造業務，才可獲得製造企業資格

^ 中小型科技企業定義請參考以下鏈接

參考資料：

http://www.gov.cn/fuwu/2020-06/08/content_5518012.htm

■ 注意事項

我們可以看到，中國大陸當局為促進中國企業的技術發展付出了巨大的努力。稅收優惠現在不僅限於對高新技術企業15%的企業優惠所得稅稅率。隨著上述研發開支加計扣除政策的推出，在中國開展研發活動的企業現在除了享受其他政府補貼外，還可享受巨大的稅收優惠。

對單純在中國大陸從事研發活動的跨國企業，預計不會在中國大陸取得任何收入的情況下，可以選擇設立外商獨資企業（WFOE）或代表處（RO）。除了一般考慮因素外，稅收減免將會是成立WFOE或者RO的另一個重要考慮因素，因為減免政策通常僅適用於中國稅務居民。在這種情況下，RO不太可能享有這些好處。


Contact Us.

For further information regarding the above,
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如有任何查詢，歡迎隨時與我們聯絡。

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