

# CHINA TAX NEWSLETTER

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Pursuant to the Implementation Regulations for the Provisional Regulations of the People's Republic of China on Value-added Tax, the upper tax exemption threshold of value-added tax (VAT) or business tax of individuals (including individually-owned businesses and other individuals) is RMB20,000 in monthly sales amounts or turnover amounts; pursuant to Cai Shui [2013] No. 52, small-scale VAT taxpayers and business tax taxpayers (including enterprise and non-enterprise entities) whose monthly sales amounts or turnover amounts do not exceed RMB20,000 (RMB60,000 if quarterly tax payment is applied) are exempt from VAT or business tax.

Pursuant to the recently released circular, from 1 October 2014 to 31 December 2015, tax exemption threshold of the preceding small-scale VAT taxpayers and business tax taxpayers is raised to RMB30,000 (RMB90,000 if quarterly tax payment is applied).

### Tips from BDO China

1. The newly released circular is applicable to micro and small enterprises as well as individuals meeting the criteria.
2. For quarterly taxpayers, the criterion for entitlement to the tax exemption is whether the total quarterly sales amounts or turnover amounts exceed RMB90,000.
3. Taxpayers engaged in concurrently operated business are eligible for the tax exemption policy based on the sales amounts of the VAT taxable items and turnover amounts of the business tax taxable items respectively.

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Nationwide Implementation of the Export Tax Rebate Policy for Goods under Financial Lease on a Pilot Basis

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Shenzhen Provincial Office, SAT Republished the Administrative Measures for Separate Accounting of Input VAT Relating to Tax Rebate (Exemption) of Goods Exported by Manufacturing Enterprises



## PILOT EXPORT TAX REBATE POLICY

The pilot export tax rebate policy implemented in Tianjin Dongjiang Free Trade Port Zone from 1 July 2012 is to be expanded to the whole nation for implementation from 1 October 2014. Main contents of the policy:

(1) For goods which are leased by lessors under financial lease and by way of financial lease for a lease term of at least five years, and which depart from China after being declared for export with the customs, the export tax rebate policy concerning VAT and consumption tax shall be carried out on these goods on a pilot basis.

(2) The marine engineering structures produced by domestic manufacturing enterprises, purchased by lessors under financial lease and leased by way of financial lease to domestic listing enterprise engaged in offshore petroleum and natural gas exploitation for a lease term of at least five years are deemed export and for which the export tax rebate policy concerning VAT and consumption tax is implemented on a pilot basis.

### Tips from BDO China

Tax refund policies for ports of departure: apply to container goods which depart from and are declared for export at the place of departure, are carried by a qualified transport enterprise and directly transited to the Yangshan Free Trade Port Zone of Shanghai through waterways and then from here leave the territory of China.

## SHENZHEN CANCELLED EMBANKMENT PROTECTION FEE

Shenzhen Municipal Water Affairs Bureau released an announcement recently, stating that the embankment protection fee would be cancelled from the tax period of September.

### Tips from BDO China

Quarterly taxpayers shall precisely calculate the embankment protection fee for July and August, and pay the fees except that for September within the time limit for paying the third quarter embankment protection fee.

## SHENZHEN PROVINCIAL OFFICE, SAT REPUBLISHED ADMINISTRATIVE MEASURES FOR SEPARATE ACCOUNTING OF INPUT VAT RELATING TO TAX REBATE (EXEMPTION) OF EXPORTED GOODS BY MANUFACTURING ENTERPRISES

The republished administrative measures mainly clarify the following points:

1. Details of separate accounting of input VAT: Input VAT of raw materials or outsourced labor services consumed for the manufacturing of products or outsourced goods or labor services used for direct sale shall be accounted separately. Input VAT of outsourced water and electricity, consumables of low value and other public consumables, and other input VAT that is hard to divide shall be divided according to proportion of the sale revenues.

2. Requirements of separate accounting of input VAT: Subsidiary ledgers shall be set up under related accounts for recording the warehousing, withdrawal, cost carryforward, selling, etc. of the items applied with the separate accounting, input VAT of each process shall be calculated separately, and the warehousing, withdrawal, selling, etc. of the objects shall be recorded separately. The accounting shall be precise and reasonable with complete documents.

3. Supervision from tax authorities: The competent tax authorities shall perform periodical or non-periodical inspection on the separate accounting of manufacturing enterprises according to the actual situation.

### Tips from BDO China

Major change in the new administrative measures is that taxpayers are not required to file and register with the competent tax authorities for separate accounting. Instead, the competent tax authorities shall perform periodical or non-periodical inspection on the separate accounting of manufacturing enterprises according to the actual situation.

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