Tax Incentives Policies

As of March 2nd, 2020
Topics

1. Corporate Income Tax (CIT)
2. Value Added Tax (VAT)
3. Local Surcharges
4. Individual Income Tax (IIT) & Social Contributions
5. Financial Support
6. Others
CIT Key Points

• The relevant **equipment** newly purchased by manufacturing enterprises producing key protection materials for the epidemic prevention and control can be **fully deducted** in the current period;

• The longest **carry-over period of losses** incurred by enterprises in difficult industries affected by the epidemic in 2020 is extended from 5 to **8 years**.
CIT Key Points

• **Donation** (whether cash or supplies) made by companies through charity organizations or governments, or directly to hospitals responsible for epidemic control can be **fully deducted**;

• **Expenditures** on articles directly donated by enterprises to hospitals responsible for epidemic control can be **fully deducted**;

• **Goods** that are self-produced, processed or purchased **donated** by enterprises to hospitals responsible for epidemic control, government or any department can be **fully deducted**.
CIT Key Points - How to Proceed with the Loss Carry-over Period Extension?

Industries and enterprises having difficulties, which are greatly affected by the epidemic and to which the policy on extension of loss carry-over period applies in accordance with Article 4 of the Announcement No. 8, shall submit the Statement on Application of the Loss Carry-over Period Extension Policy through the electronic tax bureau when handling the final settlement of the 2020 corporate income tax.

Important Note: Double check with your Tax Bureau.
Circular of the State Taxation Administration on Matters Concerning Further Delaying the Tax Declaration Deadline for February 2020, Shui Zong Han [2020] No. 27, State Taxation Administration, 2020/02/17
Effective: 2020/01/01

VAT Key Points

- **Tax declarations** (VAT, IIT and Social Contributions) *extended* to February 28th;

- A taxpayer that is still unable to file tax returns or **apply for a delay in tax filing** on February 28, may, at a later time, go through the formalities for such delay and at the same time file tax returns, provided that it has explained in writing the justifiable reasons to the competent authority; the tax authority will not give a fine on late payment of tax, impose an administrative penalty, adjust the tax payment credit rating, or label it as a taxpayer with abnormal tax declaration, and the taxpayer shall bear responsibility for the truthfulness of the allegedly justifiable reasons stated in writing.
VAT Key Points

- Manufacturing enterprises producing key protection materials for epidemic prevention and control may apply to the competent tax authorities on a monthly basis for a full refund of the incremental value-added tax credits. The incremental tax credit refers to the tax credit amount increased from December 2019;

- Income obtained by taxpayers from transportation of key supplies indispensable for prevention and control of the pneumonia outbreak shall be exempted from VAT;

- The income obtained by taxpayers from the provision of public transportation services and daily life services and from the provision of express delivery services for daily necessities of residents shall be exempted from VAT.
VAT Key Points

VAT Exemption for Small-Scale Taxpayer and Individual Business from March 1 to the end of May in Hubei province, while other Provinces are expected to see a reduction from 3% to 1%.

Announcement of the executive meeting of the State Council presided over by Premier Li Keqiang on February 25th
VAT Key Points - How to Proceed with VAT exemption?

Taxpayers applying for exemption need to fill the columns Breakdown for Application for Value-added Tax Deduction and Exemption while doing the VAT declaration.

Important Note: Taxpayers to whom the VAT exemption policy applies in accordance with relevant provisions of the Announcement No. 8 and the Announcement No. 9 shall not issue special VAT invoices. Double check with your Tax Bureau.
Local Surcharges Key Points

- A taxpayer's income being entitled to the preferential VAT exemption under application of relevant provisions of the Announcement No.8 shall be exempted from urban maintenance and construction tax, education surcharge and local education surcharge accordingly.

Other various measures for cutting tax (real estate tax and the urban land use tax) and fees to help small and medium-sized enterprises implemented locally (e.g. Jiangsu and Shandong Provinces).
IIT Key Points

• Temporary **work subsidies and bonuses** obtained by medical staff and epidemic prevention staff participating in the epidemic prevention and control subject to the standards set by the government **shall be exempted** from IIT;

• The **physical materials** (excluding cash) including drugs, medical supplies and protective equipment **provided by an entity to individuals** for the prevention of the pneumonia outbreak caused by novel coronavirus shall not be counted into individuals’ income from wages and salaries and **shall be exempted** from IIT.
IIT Key Points

- Pay back of the 50% of unemployment insurance of the total amount of unemployment insurance premiums paid in the previous year to companies that do not reduce the number of staff, or reduce less, or meet the conditions provided by the authority;

- Personnel that failed to handle the registration for social insurance payment and others on time, are allowed to make up after the outbreak. If relevant payment procedures are completed within 3 months after epidemic situation is lifted, relevant bureaus shall not ask and collect for the late payment fee.
IIT Key Points

Shanghai’s social insurance contribution base standards for each year is announced by the Shanghai Municipal Human Resources and Social Security Bureau around March and is effective from April. The lower and upper limits of the social insurance contribution base determine the minimum and maximum social insurance payments for both employers and employees.

This year the start and end date of the new social insurance contribution base is adjusted on July 1 (not March) and will be effective from July 1, 2020 (instead of April).

Since the adjustment was delayed by a full three months, during which time, employees and enterprises can pay according to the original base, thereby ease the payment burden.
IIT Key Points

- Companies in Hubei province can be exempted from all five kinds of social security insurance between February to June 2020;

- Micro and Small enterprises outside Hubei province can be exempted from pension, unemployment and work injury insurance between February to June 2020 (Waiting for Local Implementation);

- Large companies outside Hubei province can reduce to half the payment of pension, unemployment and work injury insurance between February to April 2020 (Waiting for Local Implementation);

- All companies in China can apply for deferred payment of housing fund till the end of June 2020 (Waiting for Local implementation);

- Employees that cannot repay their housing loan on public housing fund are not regarded as late payment or subject to late payment penalties (Waiting for Local Implementation).
IIT Key Points - How to Proceed with the pay back of the 50% of unemployment insurance?

1. use CA key '法人一证通' to login in the system "上海自助经办服务系统" -> 劳动就业->稳岗补贴 fill in the relevant information. After approved by the authorities, they will pay the relevant unemployment insurance next month.

2. Application time: from 5th to 25th each month, from March to December of 2020.

Important Note: Double check with your Tax Bureau.
Financial Support Key Points

- **Defer Loan Interest Payments** for eligible micro-, small- and medium-sized firms, with temporary liquidity difficulty. Their interest payments should be deferred to June 30, with exemption on penalty interest payments; all types of businesses also in Hubei Province can enjoy it;

- **Increase the credit support** to micro-, small- and medium-sized businesses by re-lending and re-discount. The re-lending interest rate targeting rural areas, agriculture, farmers and smaller businesses will fall by 0.25% reaching 2.5% percent. Banks will increase of 350 billion yuan the special credit quota for loan to be issued to micro-, small- and medium-sized companies at preferential rates.
Financial Support Key Points

- The central bank has provided relending funds of 300 billion yuan (about US$42.98 billion) to national banks and local which will then grant credit support at favorable interest rates to key manufacturers of medical supplies and daily necessities.

- Shanghai government is making sure that the real interest rate on the loan is lower than 1.6% for companies that produce, transport and sell key prevention supplies and daily necessities.

- Implementation of online procedure for loan application (SAFE application).
Others

• For all types of enterprises in the city affected by the outbreak, that organize **online job training** during the period of closing for employees (including dispatched employees working in the enterprise), shall enjoy **95% subsidy** according to the actual training costs. Both e-commerce enterprises and new industry enterprises can apply for the subsidy.

• **Reduction or exemption** on lease of **state-owned lease assets** (depending on the district);

• **Reduction on** non residential **lease** properties (e.g. shops, offices,..);

• **5% Reduction on Commercial Electricity Bills** of Industrial and Commercial Enterprises (excluding high energy consuming companies).