

## 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 [2021] No. 28 jointly released by the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") and SAT Announcement [2021] No. 26	2021-08-24 and 2021-08-31	2021-09-01	Tax base of Urban Maintenance and Construction Tax ("UMCT") and the administration of collection of UMCT	<p>The announcements clarify the tax base of the UMCT based on the new UMCT Law effective from 1 January 2021. The key points that are worth attention of the two announcements mainly include the following:</p> <ul style="list-style-type: none"> <li>The tax base of UMCT shall not include the VAT and Consumption Tax ("CT") levied on imported goods, services and intangible assets sold or provided by the overseas entities or individuals to the Chinese customers.</li> <li>The tax base of UMCT shall include the "exempted and credited VAT amount" under the export VAT refund system, but exclude the directly reduced or exempted VAT / CT and the refund of uncredited VAT.</li> <li>The "directly reduced or exempted VAT / CT" does not include the refunded tax amount arising from the policies of "Levy and Refund", "Refund after Collection" and "Refund upon Collection".</li> <li>The same tax base of UMCT shall apply to the calculation of education surcharge and local education surcharge.</li> <li>Small-scale VAT payers are allowed to deduct the remaining uncredited VAT for refund from the tax base of UMCT if they should rectify or make up the UMCT associated with the VAT calculated based on the general taxation method.</li> </ul>

				<ul style="list-style-type: none"> <li>The UMCT calculated on the "exempted and credit VAT" amount under the export VAT refund system shall be declared in the next filing period after the tax authority approves the "exempted and credit VAT" amount.</li> </ul>
SAT Announcement [2021] No. 27	2021-09-01	2021-08-24	Effectiveness of the Protocol of the Sino-Qatari Double Taxation Treaty	The Announcement stipulates that the Protocol of the Sino-Katar Double Taxation Treaty signed on 11 March 2021 entered into force on 24 August 2021. The protocol shall be applicable to the income obtained on and after 1 April 2021. The Protocol has clarified that the income obtained by an enterprise of one contracting state from the other due to provision of international transport services through aircrafts shall be exempt from VAT or similar taxes at the other contracting state.
SAT Announcement [2021] No. 28	2021-09-13	2021-01-01	Preferential administrative policies for super-deduction of R&D costs	<p>The Announcement mainly provides the following three preferential administrative policies for super-deduction of R&amp;D costs for PRC Corporate Income Tax ("CIT") purposes:</p> <ul style="list-style-type: none"> <li>In October 2021, when making the CIT prepayment filing for the third quarter of 2021, enterprises can already choose to enjoy the super-deduction policy based on the R&amp;D costs incurred in the first three quarters of 2021.</li> <li>Simplified version of auxiliary R&amp;D cost recording book is designed by the SAT. The enterprise can choose either the old version or the new simplified version or even design the recording book by itself to record the R&amp;D costs.</li> <li>"Other related expenses" of multiple R&amp;D projects can be combined together for calculation of the cap amount for super-deduction purposes. In the past, the cap amount of "other related expenses" shall be calculated for each project.</li> </ul>

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# About CMS, China

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