

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">• 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.• 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.• 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".• The same tax base of UMCT shall apply to the calculation of education surcharge and local education surcharge.• 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.

				<ul style="list-style-type: none"> 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.
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&D costs for PRC Corporate Income Tax ("CIT") purposes:</p> <ul style="list-style-type: none"> 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&D costs incurred in the first three quarters of 2021. Simplified version of auxiliary R&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&D costs. "Other related expenses" of multiple R&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.

This information is provided for general information purposes only and does not constitute legal or professional advice. Copyright by CMS, China.

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



Sherry Huang
Junior Tax Consultant
CMS, China
T +86 21 6289 6363
F +86 21 6289 0731
E sherry.huang@cmslegal.cn

About CMS, China

关于 CMS, 中国

CMS is one of the top 10 global law firms. With more than 4,800 professional legal and tax advisors in over 70 offices in more than 40 countries, we advise clients on both global and local matters and provide pragmatic and commercial advice.

CMS, China has been advising clients on doing business in China for several decades. As one of the top international law firms in China, we are able to support international companies and Chinese enterprises on all their legal needs through our full service offering. We advise in the areas of M&A, corporate restructuring, FDI, distribution and commercial, competition, compliance, employment, banking and finance, insurance, real estate and construction, technology licenses, IP registration and enforcement, dispute resolution as well as tax and customs.


Our team of legal experts are from China, Germany and the UK, and have an in - depth knowledge and understanding in many industrial sectors such as automotive, manufacturing, machinery and equipment, life sciences and healthcare, energy, banking & finance and TMC. We focus on serving the needs of our clients and on providing them with solution driven and business-oriented advice.

作为全球最大的法律与税务服务机构之一，CMS 通过旗下遍布于 40 多个国家超过 70 个办公室的 5,000 多名律师，提供覆盖全球及本土化的商业可行性解决方案。

如今，CMS 在中国服务客户已有数十年的历史。作为中国最大的外资律所代表处之一，CMS, 中国专注于并购、公司重组、外商直接投资、分销和商法、竞争法、合规、劳动法、银行 和金融、保险、房地产和建筑、技术许可、知识 产权注册与执行、争议解决及税务和海关等各个领域， 为国际与中国公司提供全方位的法律咨询服务。


我们的顾问团队由来自中国、德国和英国的专家组成，对汽车、制造、机械设备、生命科学和医疗保健、能源、银行金融以及技术、传媒与通讯等行业领域有着全面深入的了解。我们注重为客户提供实际有效的咨询和解决方案， 以帮助客户达到既定商业目标。

 3108 Plaza 66, Tower 2, 1266 Nanjing Road West, Shanghai 200040 P.R.China
上海市南京西路 1266 号恒隆广场 2 期 3108 室

 Phone/ 电话: + 86 21 6289 6363

Fax/ 传真: + 86 21 6289 0731

 Web/ 网址: <https://cms.law/en/chn/>

 Email/ 电邮: info@cmslegal.cn



Welcome to follow our WeChat account where you will find the updated legal insights and news.

欢迎扫码关注我们的微信公众号，在这里您可以获取最新的法律资讯和新闻。