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WTS Tax Alert

Newly issued circulars for VAT reform

We summarize below some major China tax circulars issued by State Administration of Taxation (SAT), Ministry of Finance (MoF) and State Council respectively in the last week regarding the implementation of the last round of the VAT reform from 1 May 2016.

Circulars	Key points
SAT Announcement No. 26	<ul style="list-style-type: none"> How to claim input VAT credit for food and beverage sectors for purchasing self-produced agricultural products; How to determine VAT obligation for residential real estate sold by individuals if property rights are transferred after 1 May 2016; How to calculate VAT exemption threshold for small-scaled VAT payers.
Cai Shui [2016] No.46	<p>Several detailed implementation rules for finance sector VAT payers:</p> <ul style="list-style-type: none"> VAT exemption for interest income derived from two kinds of financial products; VAT exemption for other annuity insurance; A simplified VAT method with 3% VAT rate is provided for financial service income derived by specified organizations (e.g. rural credit cooperatives, village and town banks, etc.); A simplified VAT method with 3% VAT rate is provided for loan interest income derived by specified branches of Agricultural Bank of China.
Cai Shui [2016] No.47	<p>Several detailed implementation policies for VAT reform;</p> <ul style="list-style-type: none"> Policy for labor dispatch service; Policy for highway toll; Policy for human resource outsourcing service; Policy for operational lease of land use right; Policy for pipeline transport service and financial leasing for tangible movable assets.
Shui Zong Han [2016] No. 190	VAT payers can use the 6th copy of special VAT invoice or the 5th copy of VAT ordinary invoice when transferring property rights.
Guo Fa [2016] No.26	Transitional policy for tax revenue allocation between central government and local government: half-half sharing during a transitional period of 2 - 3 years.
Guo Fa Ming Dian [2016] No.1	<p>State Council reinforces the guiding principles for VAT reform:</p> <ul style="list-style-type: none"> Authorities should pay key attention to VAT reform work; Authorities should closely follow up with operational results of pilot entities and provide policy interpretation; Authorities should avoid economic violation during VAT reform work.
Shui Zong Fa [2016] No. 60	<p>Following State Council's urge, SAT enacts an urgent notice to each level of tax authorities:</p> <ul style="list-style-type: none"> Authorities should familiarize with VAT reform regulations quickly; Authorities should pool support from related government departments; Authorities should provide sufficient services and training to taxpayers; Authorities should promote VAT reform and guide public opinion; Authorities should collect tax payments based on laws and regulations.

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