

JUNHE SPECIAL REPORT



February 18 2020

Summary of the PRC Tax Regulations issued in response to the COVID-19 Outbreak

Recently, the PRC Ministry of Finance, the State Taxation Administration and the General Administration of Customs jointly issued a series of tax policies with regard to the outbreak of COVID-19 in China. The newly issued regulations cover tax and customs items including tax deductions on donation expenditure, tax exemptions on specific imported materials, tax preferential policies for specific industries and medical workers and facilitating measures for tax administration and collection. For the reader's easy reference, we summarize the key information of these tax related circulars.

As of February 14 2020, the Ministry of Finance, the State Taxation Administration and the

General Administration of Customs have jointly issued several circulars to support the epidemic's prevention and control, prompt the relevant enterprises' development and lighten the tax burden of the taxpayer affected by this epidemic. According to the contents specified in the relevant circulars, we have categorized the tax policies into the following five categories: 1. Corporate Income Tax ("CIT"); 2. Individual Income Tax ("IIT"); 3. Valued-Added Tax ("VAT"), Consumption Tax ("CT") and other taxes; 4. Imported Materials; and 5. Tax Administration and Collection.

The applicable period of the relevant tax policies is shown in the table below:

Category	Applicable Period
1. CIT 2. IIT 3. VAT, CT and Other Taxes	<u>Came into force from January 2020, and the deadline will be published depending on the epidemic situation</u>
4. Imported Materials	<u>From January 1 2020 to March 31 2020</u>
5. Tax Administration and Collection	<u>In February 2020 or a time determined by the tax authority at the provincial level based on the epidemic situation and reported to the State Taxation Administration for record-filing</u>

1. CIT

Application Scope		Major Content	Supporting Circular	Notes
Enterprises engaged in manufacturing <u>key support materials for epidemic prevention and control</u>	The cost/expense of newly purchased related equipment for expanding production capacity is allowed to be deducted as a one-off expenditure before CIT	Announcement [2020] No.8 by the Ministry of Finance and State Taxation Administration	<u>The list of enterprises engaged in manufacturing key support materials for epidemic prevention and control</u> is determined by the Development and Reform Commission and the Industry and Information Department at the provincial level or above	
Enterprises <u>significantly affected by the epidemic</u>	For the tax loss incurred in 2020, the maximum carry forward period is increased from five to eight years	Announcement [2020] No.8 by the Ministry of Finance and State Taxation Administration	<p><u>The enterprises significantly affected by the epidemic</u> include transport, catering, accommodation and tourism enterprises (referring to travel agencies and related services, and the management of tourist attractions).</p> <p>The detailed classification refers to the prevailing <i>National Industry Classification</i>.</p> <p>The prime operating revenue in 2020 of the aforesaid enterprises shall account for 50% or above of the total revenue (excluding the non-taxable revenue and investment income)</p>	

CIT payer	Expenditure incurred for the donation of cash and articles to cope with the epidemic situation caused by SARS-CoV-2 <u>through non-profit social organizations, local governments at the county level or above and their departments or other state organs</u> is allowed to be fully deducted before CIT	Announcement [2020] No.9 by the Ministry of Finance and State Taxation Administration	
CIT payer	Expenditure incurred for the donation of articles <u>directly to hospitals undertaking epidemic prevention and control</u> to cope with the epidemic situation caused by SARS-CoV-2 is allowed to be fully deducted before CIT	Announcement [2020] No.9 by the Ministry of Finance and State Taxation Administration	<u>Receipts issued by hospitals</u> undertaking epidemic prevention and control shall support the tax deduction

2. IIT

Application Scope	Major Content	Supporting Circular	Notes
IIT payer	Expenditure incurred for the donation of cash and articles to cope with the epidemic situation caused by SARS-CoV-2 <u>through non-profit social organizations, local governments at the county level or above and their departments or other state organs</u> is allowed to be fully deducted before CIT	Announcement [2020] No.9 by the Ministry of Finance and State Taxation Administration	
IIT payer	Expenditure incurred for the donation of articles	Announcement [2020] No.9 by the	The tax deduction shall be supported by

	<u>directly to hospitals undertaking epidemic prevention and control</u> to cope with the epidemic situation caused by SARS-CoV-2 is allowed to be fully deducted before CIT	Ministry of Finance and State Taxation Administration	<u>receipts issued by hospitals</u> undertaking epidemic prevention and control
Medical staff and anti-epidemic workers participating in epidemic prevention and control	The temporary subsidies and bonuses obtained according to the standards specified by governments are exempt from IIT	Announcement [2020] No.10 by the Ministry of Finance and State Taxation Administration	<p>The standards specified by governments include the standards for subsidies and bonuses stipulated by governments at all levels.</p> <p>The aforesaid tax exemption policy shall apply mutatis mutandis to the temporary subsidies and bonuses obtained by those who participate in epidemic prevention and control according to the provisions of government at the provincial level or above</p>
IIT payer	Drugs, medical supplies, protective equipment and so on (not including cash) distributed by entities to individuals to prevent the infection of SARS-CoV-2 will not be included in the IIT taxable income	Announcement [2020] No.10 by the Ministry of Finance and State Taxation Administration	

3. VAT, CT and other taxes

适用范围 Application	政策内容	政策依据 Supporting	备注
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Scope	Major Content	Circular	Notes
Enterprises engaged in manufacturing <u>key support materials for epidemic prevention and control</u>	The qualified taxpayer is allowed to apply for a full refund of the increment of accumulated input-VAT on a monthly basis to the in-charge tax authority	Announcement [2020] No.8 by the Ministry of Finance and State Taxation Administration	<u>The list of enterprises engaged in manufacturing key support materials for epidemic prevention and control</u> is determined by the Development and Reform Commission and the Industry and Information Department at the provincial level or above
VAT payer	Revenue derived from transporting <u>key support materials for epidemic prevention and control</u> is exempted from VAT	Announcement [2020] No.8 by the Ministry of Finance and State Taxation Administration	The list of <u>key support materials for epidemic prevention and control</u> is determined by the National Development and Reform Commission and the Ministry of Industry and Information Department
VAT payer	Revenue derived from providing public <u>transportation services, consumer services and collection and delivery services for residents' daily necessities</u> is exempted from VAT	Announcement [2020] No.8 by the Ministry of Finance and State Taxation Administration	The scope of the aforementioned services shall be implemented in accordance with Caishui [2016] No.36
VAT, CT payer	Where entities and individual businesses donate goods that are self-produced, processed or purchased, <u>through non-profit social organizations, local governments at the county level or above and their departments or other state organs, as well as directly to hospitals</u>	Announcement [2020] No.9 by the Ministry of Finance and State Taxation Administration	

	<p><u>undertaking epidemic prevention and control</u> to cope with the epidemic situation caused by SARS-CoV-2, VAT, CT, City Construction and Maintenance Tax, Education Surcharges and Local Education Surcharge, shall all be exempted</p>		
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4. Imported Materials

Application Scope	Major Content	Supporting Circular	Notes
Imported materials donated to recipients for the prevention and control of SARS-CoV-2	<p>The scope of duty-free imports specified in the Interim Measures for the Exemption of Import Duties on Charitable Donations will be appropriately expanded, and imported materials donated for epidemic prevention and control will be exempted from import duties and import VAT and CT.</p> <p>(1) Add reagents, disinfectants, protective articles, ambulances, epidemic prevention vehicles, disinfection vehicles and emergency command vehicles to the scope of imported materials.</p> <p>(2) The scope of the tax exemption is expanded for the relevant domestic government departments, enterprises and public institutions, social groups, individuals and foreign</p>	<p>Announcement [2020] No.6 by the Ministry of Finance</p> <p>Announcement [2015] No.102 by the Ministry of Finance, General Administration of Customs and State Taxation Administration</p>	Imported materials without definite donees shall be received by the Red Cross Society of China, the All-China Women's Federation, the China Disabled Persons' Federation, the China Charity Federation, the China Primary Health Care Foundation, the China Soong Ching Ling Foundation or the China Cancer Research Foundation as donees

	<p>citizens in or coming to in China to import materials from overseas or special customs supervision zones and make direct donations; and donations from domestic processing trade enterprises.</p> <p>(3) The scope of the donee is expanded to provincial civil affairs authorities or their designated agencies</p>		
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5. Tax Administration and Collection

Application Scope	Major Content	Supporting Circular	Notes
<p>Taxpayers and withholding agents subject to monthly tax filing</p> <p>(Nationwide)</p>	<p>The statutory time limit for tax filing in February 2020 will be extended to February 24, 2020</p>	<p>Shuizonghan [2020] No. 19</p>	<p>Taxpayers and withholding agents affected by the epidemic who still face difficulties in filing tax returns after the said time limit extension in February 2020, may apply for a further extension in accordance with the law</p>
<p>Taxpayers and withholding agents subject to monthly tax filing</p> <p>(Hubei Province)</p>	<p>In addition to the above, the time limit may be extended appropriately depending on the circumstances. The specific time limit will be determined by the provincial tax authorities and reported to the State Taxation Administration for record filing</p>	<p>Shuizonghan [2020] No. 19</p>	

The epidemic caused by SARS-CoV-2 continues to spread in China and globally. JunHe's taxation team will continue to follow up with regards to the relevant tax policies. We hereby

express our sincerest thanks to all the medical workers fighting on the frontline of this epidemic and we wish everyone good health and prosperity.

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