

Tax reliefs planned by the government's work report

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In brief

Further tax reliefs will be released per the Chinese government's work report:

- » More preferential tax policies will be launched to promote technology development and environment protection;
- » More tax relief will be offered to small companies;
- » The tax authority will continue its reforms in "delegation, management and services";
- » A series of measures will be launched to promote foreign trade and foreign investment.

Feedback

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In detail

The Chinese government has delivered the 2021 government work report in March 2021. On 26 March, 2021, the State Council has released further instructions to various departments on how and when to implement the plans. Specifically, it has mentioned therein the following tax reliefs should be delivered:

» Supports to technology development

- To encourage R&D activities, the super deduction rate will be increased from 75% to 100%. For a manufacturing company incurring R&D expenses in a year, it can claim two times the expense for deduction for the corporate income tax (CIT) purpose.
- To promote the advance manufacturing, the rate of refunding the incremental VAT credit will be raised from the current 60% to 100%. That means a full refund.

» Aids to small companies

- The VAT exemption threshold, being the monthly revenue, for small-scale taxpayers will be raised from RMB 100,000 to RMB 150,000.
- A CIT relief is offered to small-and-low-profit enterprises. To them, for any annual taxable income less than RMB 1 million, an effective CIT rate at 2.5% will apply, instead of the current 5%.

» Supports to green economy

To promote and encourage the investment in environment protection, energy conservation and water saving, the following CIT incentives will be offered:

- CIT exemption or reduction is offered to the income from environment protection, energy conservation and water saving.
- 10% investment in the purchase of special facilities for environment protection, energy conservation and water saving can be credit against the CIT liability.

Further, the scope of environment protection, energy conservation and water saving for the CIT incentives will be expended.

» Further reform to tax administration

The Chinese tax authority will continue further its reforms in “delegation, management and services”, including:

- Setting up an information exchange platform with other authorities;
- Promoting an online services for tax matters;
- Streamlining the deregistration procedures for small-and medium-scale companies;
- Simplifying the procedures for claiming tax benefits.

» Boosts to foreign trade and investment

- Shortening the negative list for foreign investment;
- Reducing the tariff to boost the import business;
- Improving the procedures at the customs to accelerate the customs clearance.

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WTS observation

Aiming at an annual GDP growth over 6% in 2021, the aid plan released by the government's work report would target at combating the aftermath of the pandemic, boosting more reforms and innovation, and increasing foreign investment. A series of preferential tax policies and measures to be offered represents a scaling up of fiscal means to provide further stimulus to the recovering economy.

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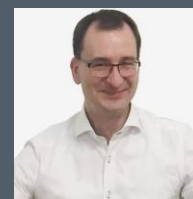
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