

China tax reliefs to support epidemic control

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In brief

- » China offers a series of tax relief to companies and individuals engaging in battling or suffering during the fight against the novel coronavirus pneumonia (NCP) outbreak.

Feedback

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In Detail

1. China tax reliefs offered

China’s State Tax Administration (SAT) published a set of tax relief policies on 11 February 2020 to ease the tax burden for individuals and enterprises during the novel coronavirus pneumonia (NCP) outbreak.

The 12-item relief policies cover a broad range of taxes, including exemptions for individual income tax (IIT), corporate income tax (CIT), value added tax (VAT), consumption tax (CT), import duty (ID) and local levies (LLs) related to NCP control, supply, donation, and operation.

The new tax reliefs are summaries below.

Events related to NCP fight		IIT	CIT	VAT	CT	LL	ID
1	Receiving subsidies (bonus)	E					
2	Receiving medical control supplies	E					
3	Sales of supplies			R			
4	Sales of transport services			E			
5	Sales of public transport service, daily necessity services and items, express delivery service			E			
6	Purchase of medical control equipment		FD				
7	Import of epidemic control items						E
8	Donation of cash / items	FD	FD				
9	Donation of items to hospitals	FD	FD				
10	Donation of items to epidemic areas			E	E	E	
11	Import of donation items						L
12	Loss in 2020 (years of carry forward)		8				

E=Exemption; FD=Full deduction; L=Larger scope allowed; R=refund

2. Relief beneficiaries and conditions

The said reliefs are valid from 1 January 2020 until the date to be notified. Some conditions are set regarding who can enjoy the said tax relief, as explained below:

- 1) IIT exemption, on cash subsidies and bonus to medial staff engaged in epidemic control, is granted to the said personnel but limited to official threshold;
- 2) IIT exemption is granted to employees receiving medical supplies (excluding cash) from employers for epidemic control and treatments;
- 3) VAT exemption, on incremental VAT credits, covers companies producing items for epidemic controls; VAT exemption can be applied for monthly, using VAT credit as of 31 December 2019 as the basis;
- 4) VAT exemption, on income from transport services, covers the shipping of items supporting epidemic control or treatments; a VAT exemption application form is required;
- 5) VAT exemption, on income from such services as public transports, daily necessity services and items, and express delivery services, refers to those defined in the tax rule (i.e. Cai-shui [2016] No. 36); a VAT exemption application form is required;
- 6) CIT deduction, on the cost equipment purchases, applies to productions enterprise officially listed by authorities as epidemical support suppliers;
- 7) ID exemption is grante to importing of epidemic control items organized by health authorities;
- 8) IIT or CIT deduction, for donation of cash or items, is allowed to donation made to charity or government bodies above the county level for fighting NCP; a direct deduction in tax filings is allowed;
- 9) IIT or CIT deduction, for donation of items to hospitals, covers hospitals fighting NCP; a donation confirmed from the hospitals are required to support the deduction;
- 10) Exemption on VAT, CT and LLs, on donated items, applies to items donated for supporting the epidemic control or treatments; a direct exemption via routine tax filing forms is allowed;

2020 (No. 2 issue)

February 2020

- 11) The scope of ID exemption is further enlarged to cover more items being donated via imports to support the epidemic control and prevention.
 - The newly added items include reagents, disinfection items, prevention devices, ambulances, epidemic control vehicles, disinfection vehicles and emergency control vehicles;
 - The newly added import recipients include government bodies, semi-government agents, social associations, individuals or expatriates in China;
 - The newly added donation beneficiaries include provincial civil authorities or their designated agents; imported items can be released based on a simple registration and their import declaration can be delayed and done after the importation.

- 12) Any loss incurred in 2020 by companies affected by the epidemic is allowed to be carried forward to the next eight years (instead of the current five years). This benefit applies only to companies specializing in four sectors (transportation, food and beverages, accommodation and tourism), on the condition that their 2020 income must have 50% income sourcing from one of the said four sectors; to apply for this extension, a formal e-declaration should be submitted in the annual CIT filing.

3. Penalty waived on late tax filings

Further, SAT also issued another circular on the same date (ref. Shui Zong Fa, [2020] No.14), waiving penalty on any late filings due in February, and allowing further extension by those seriously affected by the epidemic. In other words, late tax filings are exempted from administrative fines, blacklisting in the tax credit system, nor labelling as abnormal. Further, applicants in an administrative appeal are given an extended period to raise the appeal, or granted a relief for failing to attend an appeal hearing.

WTS observation

The said tax relief policies are meant to support NCP control works, relating to prevention and treatments, material supply, donations and supports for companies to restart their production. The ones with a wider applicability should be those related to donations, tax filings, and loss carry-forward. Taxpayers are urged to organize a proper application for the said benefits.

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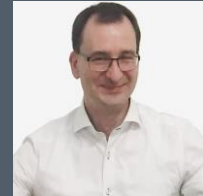
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