

China Insight – Chinese Tax Regulation Update



Circular Number	Issuance Date	Effective Date	Topic	What is new?
Cai Guan Shui [2024] No. 18 issued jointly by the Ministry of Finance ("MOF"), the Ministry of Ecology and Environment, the Ministry of Commerce, the General Administration of Customs and the State Administration of Taxation ("SAT")	2024-06-27	2024-06-27	Pilot bonded policies for temporary entry of goods for repair in China (Shanghai) Pilot Free Trade Zone ("FTZ")	<p>According to the Circular, goods temporarily entering the special customs-supervised areas within the China (Shanghai) Pilot FTZ (including the Lin'gang New Area) from abroad for repair are exempt from import duty, import VAT and Consumption Tax if the goods are finally re-transported abroad. If the goods, which are not prohibited or restricted from import, are finally sold domestically in China, import duty, import VAT, and Consumption Tax will be levied based on the actual status of the repaired goods.</p> <p>Waste materials and replaced parts from the repair process should generally be re-exported. If re-export is not feasible, these materials cannot be sold domestically and must be disposed according to the relevant regulations. Solid waste should be managed according to environmental regulations.</p> <p>Enterprises benefiting from these policies must establish an information management system that meets customs supervision requirements, ensuring full tracking of repair-related information and special management of goods and materials involved in the repair process.</p>
Announcement [2024] No. 8 jointly released by the MOF and the SAT	2024-06-28	2024-07-01	Differentiated Individual Income Tax ("IIT") policies for dividends of companies listed on the National Equities	<p>According to the Announcement, from 1 July 2024 to 31 December 2027, dividend incomes are exempt from IIT if an individual holds an NEEQ company's shares for more than one year. If the holding period is less than one month, 20% IIT shall be levied on the entire dividend income. If the holding period is between one month and one year, 20% IIT shall be</p>

			Exchange and Quotations ("NEEQ")	<p>levied on 50% of the dividend income. Holding period is calculated on a first-in-first-out basis.</p> <p>IIT, if levied, shall be deducted from the individual's personal securities account and withheld by the company upon transfer of the shares.</p>
Announcement [2024] No. 9 jointly released by the MOF and the STA	2024-07-12	2024-07-12	Corporate Income Tax ("CIT") policies for digitalization and intelligence transformation of special equipment used for energy- and water-saving, environmental protection and work safety	<p>According to the Announcement, investment in digitalization and intelligence transformation of special equipment used for energy- and water-saving, environmental protection and work safety in the period from 1 January 2024 to 31 December 2027 can be used to credit against the company's CIT payable of the current year, within a limit equaling 50% of the tax basis of the equipment for digitalization and transformation at the time when the equipment was purchased. In case the creditable amount exceeds the CIT payable of the current year, the excess amount can be carried forward for further credit against the CIT payable of the following five years.</p> <p>The digitalization and intelligence transformation include such aspects as data collection, data transmission and storage, data analysis, intelligence control and digital security and protection.</p> <p>Investments qualified for credit against the CIT payable include expenditures that increase the value of the equipment as fixed assets, but the VAT refunded according to the relevant regulations and the costs for transportation, installation, and debugging of the equipment are not included. Investments financed by fiscal granted funds cannot be used for credit.</p> <p>If the special equipment is transferred or leased within five tax years after the digitalization and intelligence transformation, the company shall stop enjoying the incentive and make up the credited CIT.</p> <p>The lessee of the special equipment for digitalization and intelligence transformation through financial lease can enjoy the underlying incentive, as long as the ownership of the equipment belongs to the lessee upon expiry of the lease term, but the lessee shall stop enjoying the incentive and make up the credited CIT if the ownership of the equipment is not transferred to the lessee in the end.</p>

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