



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# China's Tax Incentives for Enterprises in 2022: Updates Following the Two Sessions

2022/4/27





**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

## Today's Speaker:



**Lynn Shen**

Assistant Manager

Tax & Accounting Services




Shenzhen



[Lynn.shen@dezshira.com](mailto:Lynn.shen@dezshira.com)



- 
- An Overview of Recent Tax Incentive Schemes
  - “Six Taxes and Two Surcharges” Relief Policies for Small and Micro-sized Enterprises
  - Corporate Income Tax Incentives for Small and Low-profit Enterprises
  - VAT Exemption Policy for Small-scale VAT Payers
  - Deferred Payment of Some Taxes and Fees by Medium, Small and Micro-size Enterprises in Manufacturing Industry
  - End-of-period VAT Credit Refund
  - Quick View on Some Other Newly Released Tax Incentive Policies
  - Pandemic Relief Measures: Focusing on Shenzhen

# An Overview of Recent Tax Incentive Schemes



## Timeline of Releasing Date

February 28, 2022



- Announcement on Matters relating to Continued Implementation of the **Deferred Payment of Some Taxes and Fees** by Medium, Small and Micro-size Enterprises in Manufacturing Industry
- Announcement [2022] No. 2 of the State Taxation Administration and the Ministry of Finance

March 1, 2022



- Announcement on Further Implementation of "**Six Taxes and Two Surcharges**" Relief Policies for Small and Micro-sized Enterprises
- Announcement [2022] No. 10 of the Ministry of Finance and the State Taxation Administration

March 2, 2022



- Announcement on Policies Relating to **Pre-tax Deduction for Equipment and Instrument of Micro, Small and Medium-sized Enterprises for Income Tax Purpose**
- Announcement [2022] No. 12 of the Ministry of Finance and the State Taxation Administration

March 3, 2022



- Announcement on **VAT Policies** for Promoting the Bailout and Development of Difficult Industries in the Service Industry
- Announcement [2022] No. 11 of the Ministry of Finance and the State Taxation Administration

March 4, 2022



- Announcement on Issues Relating to Collection and Administration for Further Implementation of "**Six Taxes and Two Surcharges**" Relief Policies for Small and Micro-sized Enterprises
- Announcement [2022] No. 3 of the State Taxation Administration ("STA")



## An Overview of Recent Tax Incentive Schemes



### Timeline of Releasing Date

- March 14, 2022**
- Announcement on Further Implementation of Income Tax Incentives for Small and Low-profit Enterprises
    - Announcement [2022] No. 13 of the Ministry of Finance and the State Taxation Administration
- March 19, 2022**
- Notice of the State Council on Establishment of a Special Additional Deduction “Care of Infants Under the Age of 3” for Individual Income Tax
    - Guo Fa [2022] No. 8
- March 21, 2022**
- Announcement on Further Intensifying the Implementation of Policies for End-of-Period VAT Credit Refund
    - Announcement [2022] No. 14 of the Ministry of Finance and the State Taxation Administration
- March 22, 2022**
- Announcement on Issues Relating to Collection and Administration for Further Intensifying the Implementation of Policies for End-of-Period VAT Credit Refund
    - Announcement [2022] No. 4 of the State Taxation Administration
  - Announcement on Issues Relating to Collection and Administration of Preferential Corporate Income Tax Policies for Small and Low-Profit Enterprises
    - Announcement [2022] No. 5 of the State Taxation Administration



# An Overview of Recent Tax Incentive Schemes

---



## Timeline of Releasing Date

**March 23, 2022**

Announcement on Further Increasing the Pre-tax Deduction Ratio of R&D Expenses for Small and Medium-sized Technology Enterprises

- Announcement [2022] No. 16 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology

**March 24, 2022**

Announcement on the **VAT Exemption** for Small-scale VAT Payers

- Announcement [2022] No. 15 of the Ministry of Finance and the State Taxation Administration

Announcement on Issues Relating to Collection and Administration of VAT Exemption for Small-scale VAT Payers and Other Matters

Announcement [2022] No. 6 of the State Taxation Administration

**April 17, 2022**

Announcement on further Accelerating the Implementation of Policies for **End-of-Period VAT Credit Refund**

- Announcement [2022] No. 17 of the Ministry of Finance and the State Taxation Administration



# "Six Taxes and Two Surcharges" Relief Policies and its Collection and Administration for Small and Micro-sized Enterprises

- Announcement [2022] No. 10 of the Ministry of Finance and the State Taxation Administration
- Announcement [2022] No. 3 of the State Taxation Administration





## "Six Taxes and Two Surcharges" Relief Policies and its Collection and Administration for Small and Micro-sized Enterprises

---

Six Taxes and Two Surcharges refer to:

Resource Tax

Property Tax

Urban Land Use Tax

Arable Land Use Tax

Urban Maintenance and Construction Tax

Stamp Duty

Education Surcharge

Local Education Surcharge

*In light of the actual conditions of the locality as well as macroeconomic control needs, the People's Governments of provinces, autonomous regions and municipalities directly under the Central Government could reduce levying of the above mentioned 6 taxes and 2 surcharges within the range of 50% tax amount for **small-scale VAT payers, small and low-profit enterprises** and **individually-owned businesses**.*

*Note: Stamp Duty here mentioned excludes stamp duty on securities transactions*





## "Six Taxes and Two Surcharges" Relief Policies and its Collection and Administration for Small and Micro-sized Enterprises

---

"small and low-profit enterprises" refers to enterprises engaging in industries which are not restricted or prohibited by the State and satisfying three conditions:



annual taxable income amount does not exceed CNY3 million



staff headcount does not exceed 300



total amount of assets does not exceed CNY50 million

The determination of a small and low-profit enterprise shall be based on the outcome of **annual final settlement of corporate income tax**.





## "Six Taxes and Two Surcharges" Relief Policies and its Collection and Administration for Small and Micro-sized Enterprises



for newly-established enterprises which are registered as general VAT payers and engage in industries that are not restricted or prohibited, if they haven't done the annual final settlement of CIT yet, can they enjoy this tax benefit?

at end of the month preceding the declaration period



staff headcount does not exceed 300

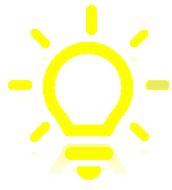


total assets do not exceed CNY50 million



## "Six Taxes and Two Surcharges" Relief Policies and its Collection and Administration for Small and Micro-sized Enterprises

---



for qualified enterprises who fail to claim relief incentives in time, it's allowed to apply for offset of tax payable amount for the subsequent tax periods or apply for refund pursuant to the law.

The validity period of the relief policies is from 1 January 2022 to 31 December 2024



# Further Implementation of Corporate Income Tax Incentives and its Collection and Administration for Small and Low-profit Enterprises

- Announcement [2022] No. 13 of the Ministry of Finance and the State Taxation Administration
- Announcement [2022] No. 5 of the State Taxation Administration (STA)





## Further Implementation of Corporate Income Tax Incentives and its Collection and Administration for Small and Low-profit Enterprises

---

"small and low-profit enterprises" refers to enterprises engaging in industries which are not restricted or prohibited by the State and satisfying three conditions:



annual taxable income amount does not exceed CNY3 million



staff headcount does not exceed 300



total amount of assets does not exceed CNY50 million



## Further Implementation of Corporate Income Tax Incentives and its Collection and Administration for Small and Low-profit Enterprises

---

The portion of annual taxable income amount of a Small and low-profit Enterprise which

exceeds CNY1 million but does not exceed CNY3 million

- shall be computed at a reduced rate of 25% as taxable income amount, and subject to corporate income tax at 20% tax rate
- Announcement [2022] No. 13

does not exceed CNY1 million

- shall be computed at a reduced rate of 12.5% as taxable income amount, and subject to corporate income tax at 20% tax rate
- Announcement [2021] No. 12

**NOTE**

*\*[2021] No.12 is effective from January 1, 2021, and remain effective until December 31, 2022*

*\*[2022] No.13 remains effective for a period from January 1, 2022 to December 31, 2024*





## Further Implementation of Corporate Income Tax Incentives and its Collection and Administration for Small and Low-profit Enterprises

---

Example: A is a small and low-profit company with taxable amount CNY2 million for year 2021, and taxable amount CNY2.5 million for year 2022, how much it shall pay for CIT of 2021 and 2022?



For 2021



For the portion not exceed 1 million:  
 $1000,000 * 12.5% * 20% = 25,000$



For the portion exceeds 1 million:  
 $(2,000,000 - 1,000,000) * 50% * 20% = 100,000$



Total CIT =  $25,000 + 100,000 = 125,000$

For 2022

For the portion not exceed 1 million:  
 $1000,000 * 12.5% * 20% = 25,000$

For the portion exceeds 1 million:  
 $(2,500,000 - 1,000,000) * 25% * 20% = 75,000$

Total CIT =  $25,000 + 75,000 = 100,000$



# VAT Exemption policy and its Collection and Administration for Small-scale VAT Payers

- Announcement [2022] No. 15 of the Ministry of Finance and the State Taxation Administration
- Announcement [2022] No. 6 of the State Taxation Administration







## VAT Exemption and its Collection and Administration for Small-scale VAT Payers

---

For the taxable sales income of small-scale VAT payers to which a levy rate of 3% is applicable, or the items subject to VAT prepayment to which a pre-levy rate of 3% is applicable, if it belongs to the period from:



1<sup>st</sup> Jan 2022 -  
31<sup>st</sup> Mar 2022



- the reduced levy rate or pre-levy rate is 1%



1<sup>st</sup> Apr 2022 -  
31<sup>st</sup> Dec 2022



- will be exempted from VAT or suspended from VAT prepayment.



# Announcement on Matters relating to Continued Implementation of the Deferred Payment of Some Taxes and Fees by Medium, Small and Micro-size Enterprises in Manufacturing Industry

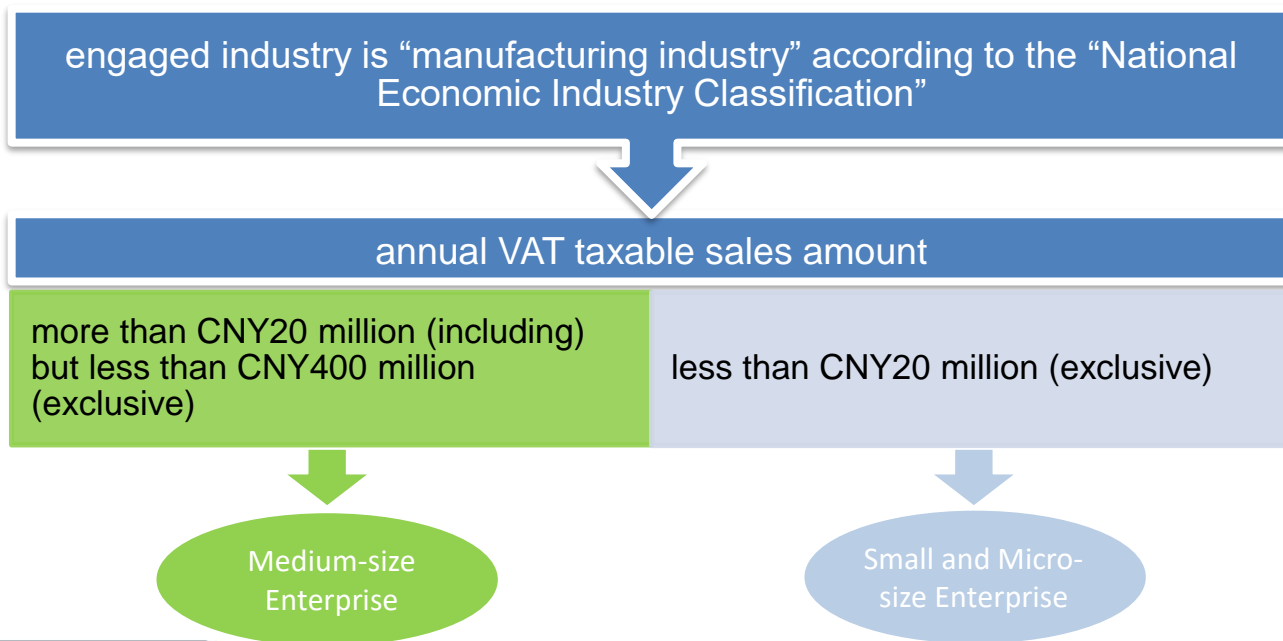
- Announcement [2022] No. 2 of the State Taxation Administration and the Ministry of Finance





## Continued Implementation of the Deferred Payment of Some Taxes and Fees by Medium, Small and Micro-size Enterprises in Manufacturing Industry

? what are the medium, small and micro-size enterprises in manufacturing industry

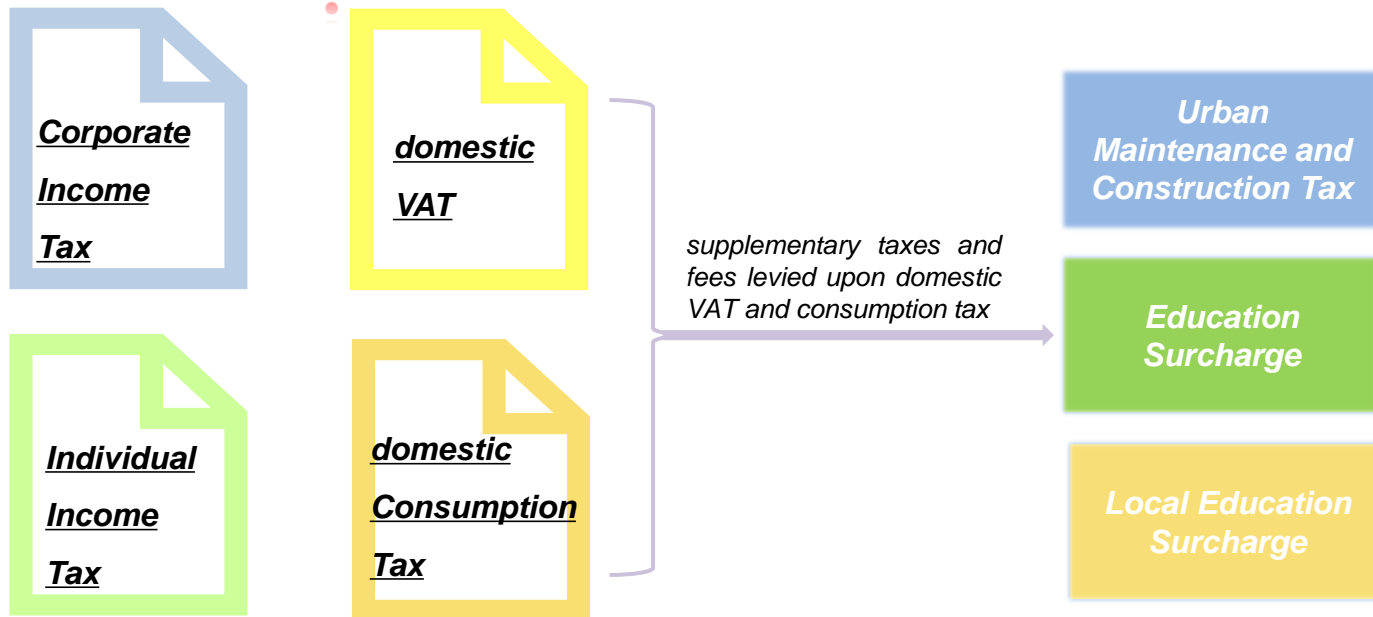




## Continued Implementation of the Deferred Payment of Some Taxes and Fees by Medium, Small and Micro-size Enterprises in Manufacturing Industry



What taxes and fees are involved



*Note: excluding the taxes and fees withheld and remitted, collected and remitted or paid at the time of applying to the tax authorities for issuing fapiaos on their behalf.*





## Continued Implementation of the Deferred Payment of Some Taxes and Fees by Medium, Small and Micro-size Enterprises in Manufacturing Industry

1

### Continuing to defer the payment of some taxes and fees for Q4 2021

- according to the Announcement [2021] No. 30, some taxes and fees for Q4 2021 was deferred for 3 months, now it's extended for **another 6 month**
- If the deferred taxes and fees for Q4 2021 was paid after 1 Jan 2022 and before this Announcement comes into force (28 Feb 2022), could opt to apply for refunds and enjoy the continued deferred payment policy.

2

### Defer the payment of some taxes and fees for Q1 and Q2 of 2022

#### Medium-sized Enterprise

defer the payment of 50% of the taxes and fees

- the deferred period is 6 months
- If the taxes and fees attributed to Jan 2022 was paid before the effectiveness of this Announcement, could opt to apply for refunds and enjoy the deferred payment policy

#### Small and Micro-size Enterprise

defer all payment of the taxes and fees

**NOTE**

upon expiry of the deferred period, taxpayers shall pay taxes and fees for the corresponding month or quarter



# Announcement on further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration.

- Announcement [2022] No. 14 of the Ministry of Finance and the State Taxation Administration
- Announcement [2022] No. 4 of the State Taxation Administration
- Announcement [2022] No. 17 of the Ministry of Finance and the State Taxation Administration





## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

---

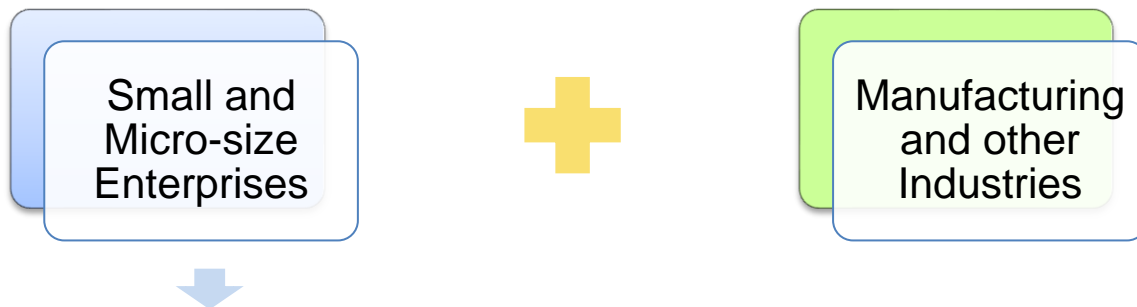
the enterprise shall satisfy all the following criteria:

- 1 tax credit rate is A or B
- 2 hasn't committed fraud for obtaining end-of-period VAT credit refund, export tax refund or falsely issuing VAT special Fapiao for 36 months prior to the application
- 3 hasn't been penalized by tax authorities for two or more times due to tax evasion for 36 months prior to the application
- 4 hasn't enjoyed the policy of refund-upon-collection or refund-after-collection from April 1, 2019



## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

---



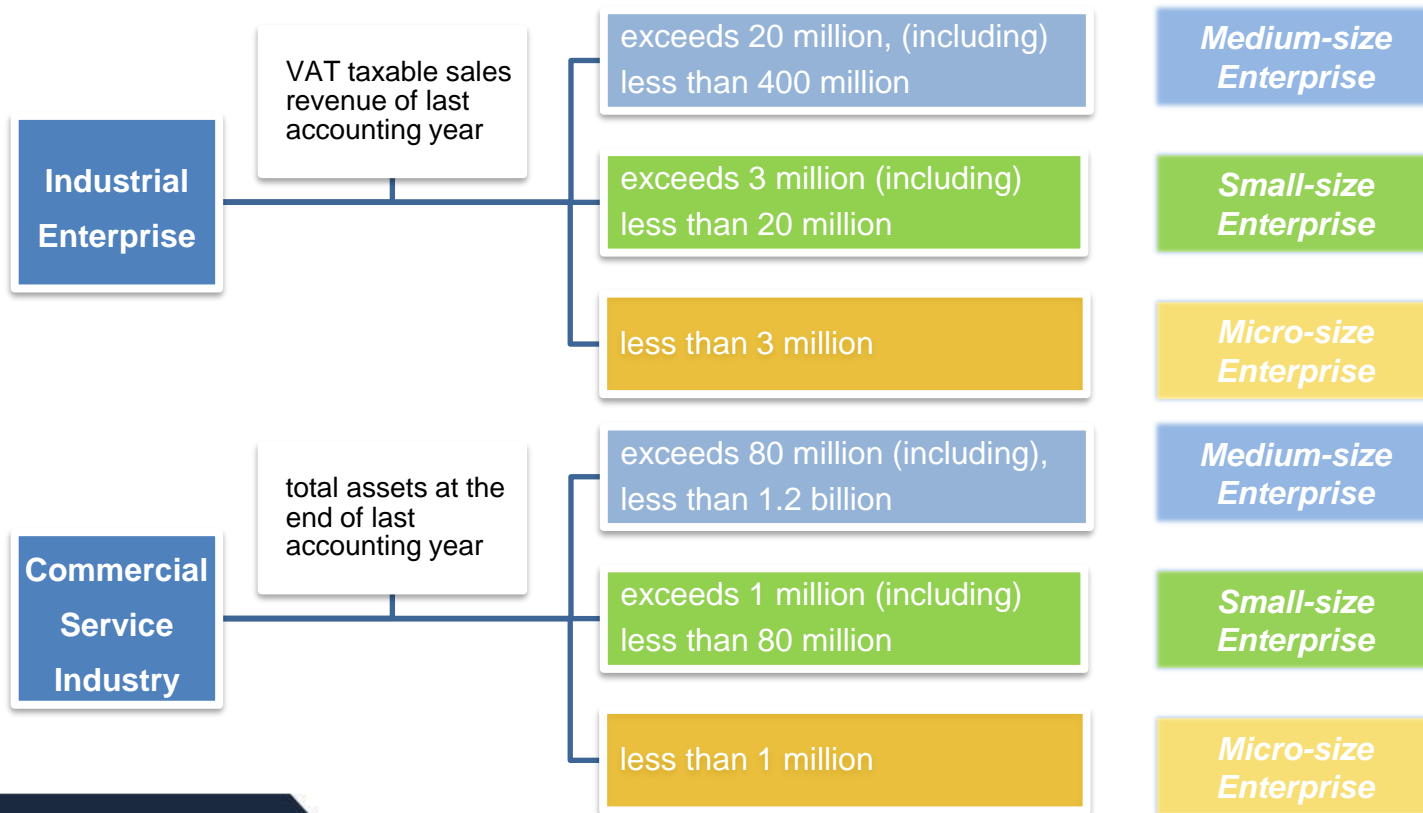
“small and micro-size enterprises” shall be determined based on the **operating income indicators** and **total assets indicators** stipulated in the “*Provisions on Classification Criteria for Small and Medium Enterprises (Gong Xin Bu Lian Qi Ye [2011] No. 300)*” and the “*Provisions on Classification Criteria for Financial Enterprises (Yin Fa [2015] No. 309)*”







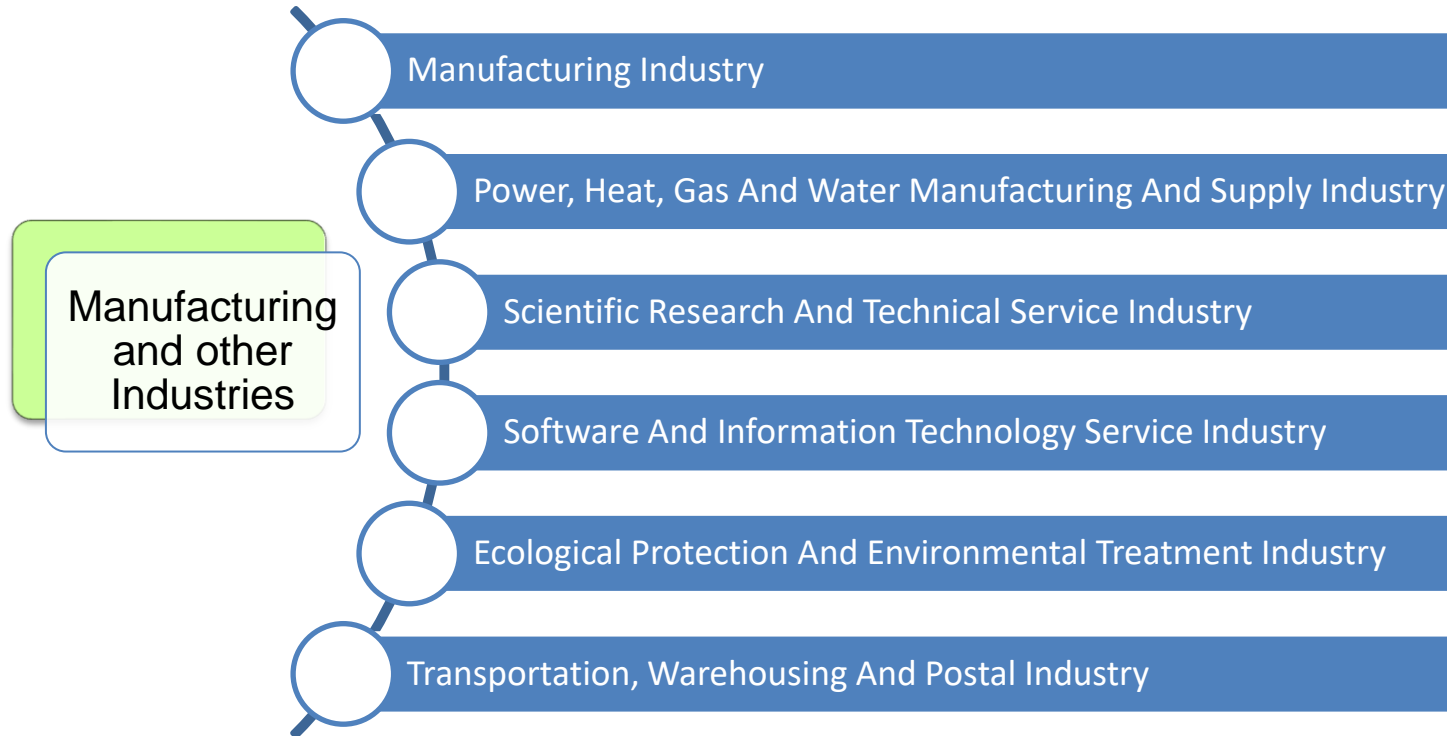
## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration





## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

---

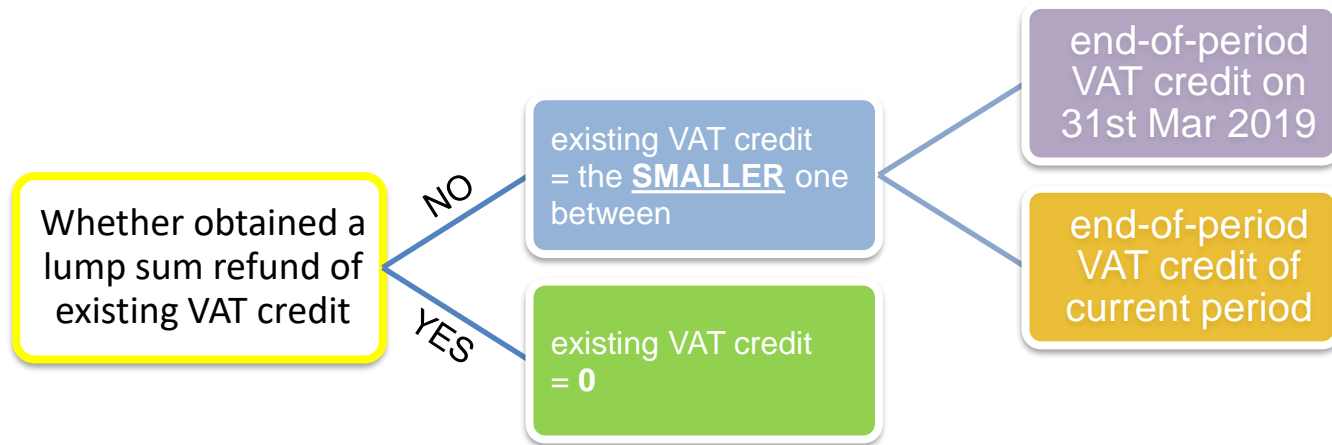




## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration



How to determine the amount of existing VAT credit?

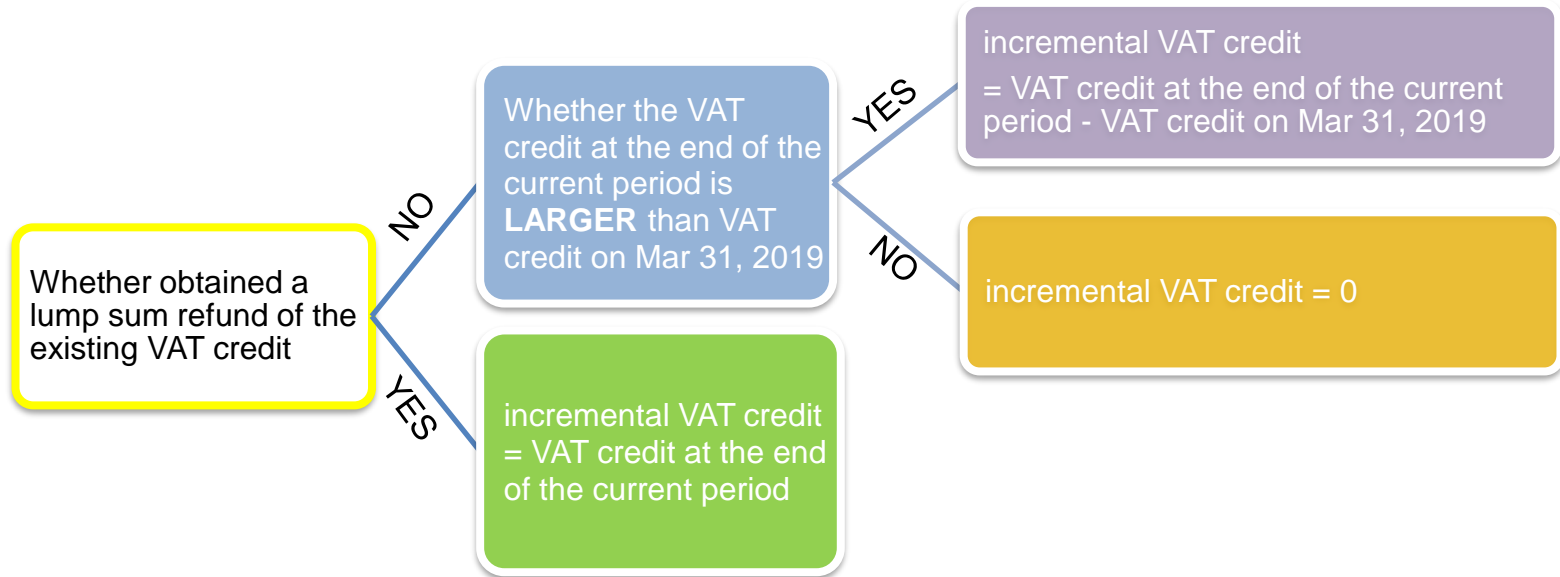




## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration



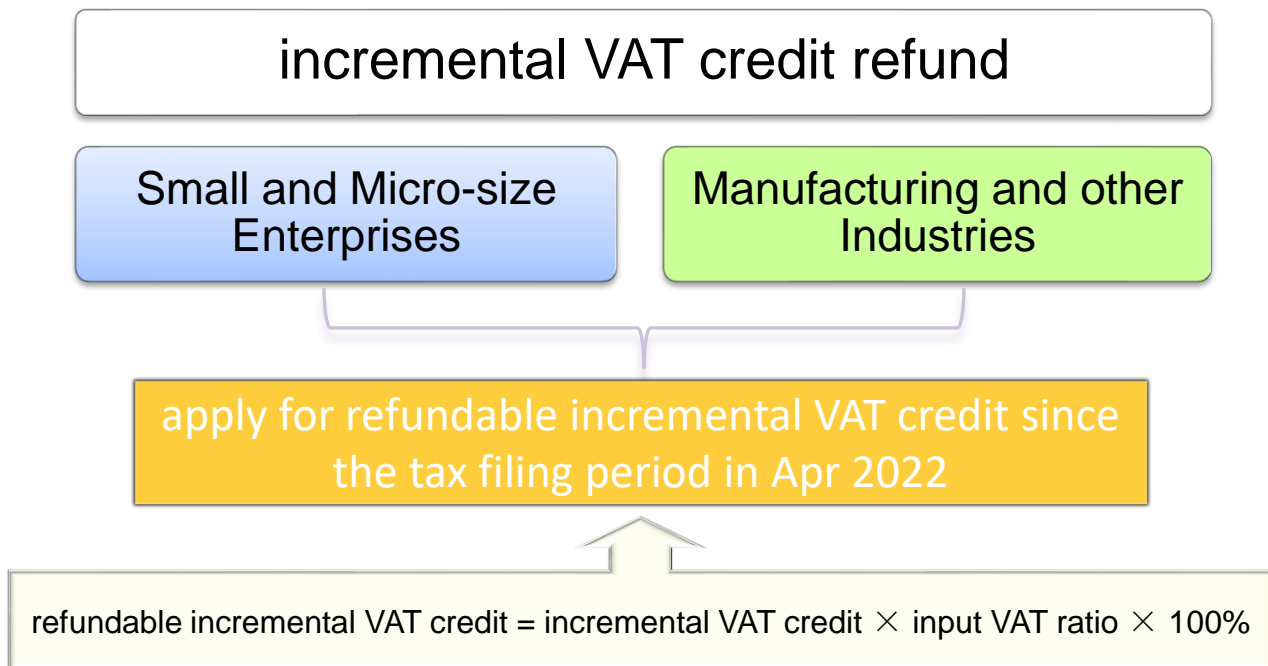
How to determine the amount of incremental VAT credit?





## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

---

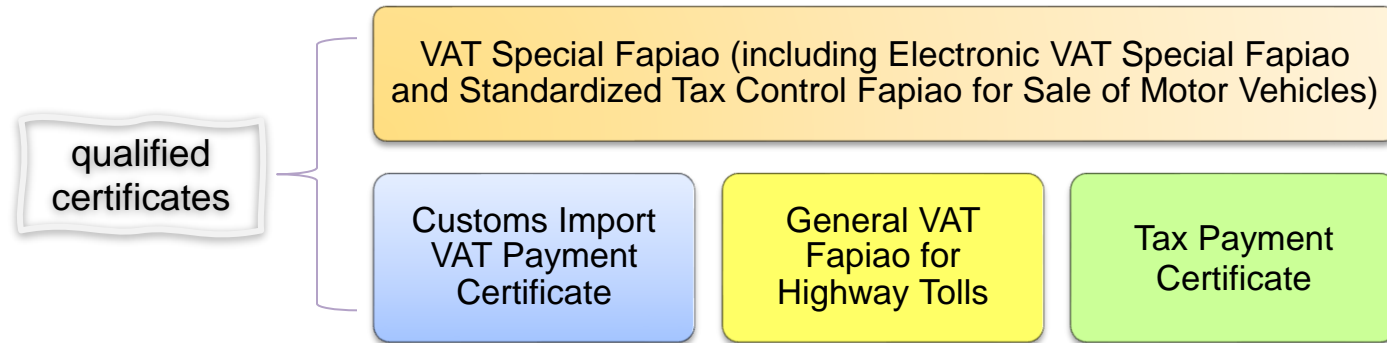




## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

---

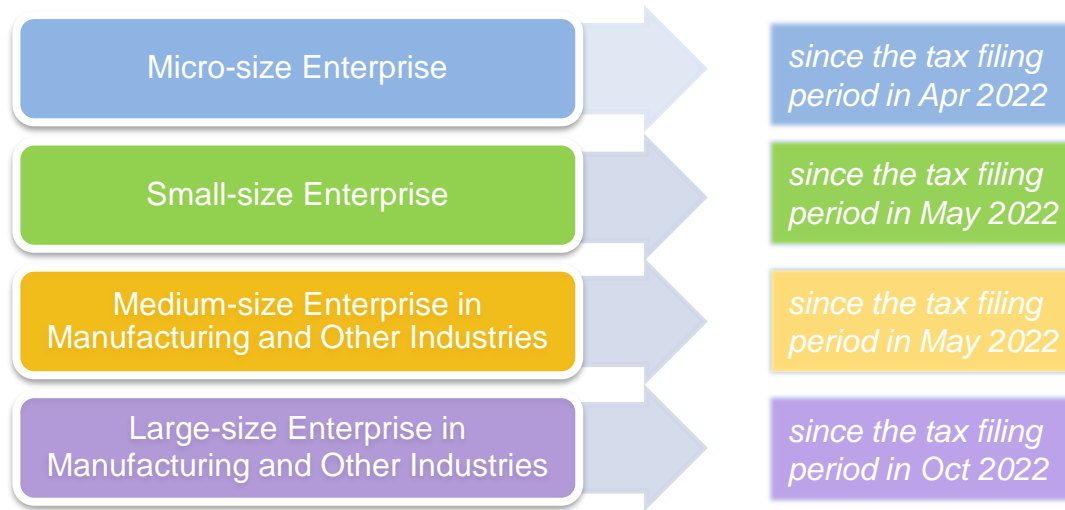
Input VAT ratio = total credited input VAT amount indicated in qualified certificates from Apr 2019 to the tax period prior to the application for VAT credit refund / the total credited input VAT in same period





## Further intensifying implementation of end-of-period VAT credit refund and its Collection and Administration

When could qualified enterprises apply for the one-time refund of existing VAT credit?



refundable existing VAT credit= existing VAT credit × input VAT ratio × 100%

**Quick view on some other newly released tax  
incentive policies**





## Quick View on some other newly released tax incentive policies



### Announcement on Policies Relating to Pre-tax Deduction for Equipment and Instrument of Medium, Small and Micro-sized Enterprises for Income Tax Purpose - Announcement [2022] No. 12

- For the equipment and instrument (exclude houses and buildings) that are newly purchased during the period from 1 January 2022 to 31 December 2022 with a unit value above CNY5 million, the medium, small and micro-sized enterprises could opt for pre-tax deduction at a certain percentage



### Announcement on VAT Policies for Promoting the Bailout and Development of Difficult Industries in the Service Industry - Announcement [2022] No. 11

- The implementation period of “additional deduction of creditable input VAT” for production and living service industries extends to December 31, 2022.



### Notice on Establishment of Special Additional Deductions for Individual Income Tax Purpose for Care of Infants Under the Age of 3-Guo Fa [2022] No. 8

- Establish a new Special Additional Deduction “Care of Infants Under the Age of 3” for Individual Income Tax, the expenses incurred for it could be deducted at a fixed amount CNY1,000 per month for each infant, start from 1 Jan 2022



### Announcement on Further Increasing the Pre-tax Deduction Ratio of R&D Expenses for Small and Medium-sized Technology Enterprises-Announcement [2022] No. 16

- For R&D expenses have not formed intangible assets, on the basis of deduction per the actual amount incurred, from January 1, 2022, an additional 100% of it could be deducted before tax
- If form to intangible assets, from January 1, 2022, 200% of the cost of the intangible assets could be amortized before tax.



**Pandemic Relief Measures:  
Focusing on Shenzhen**



## Pandemic Relief Measures: Focusing on Shenzhen

---

- Deferred payment or reduction of Social Insurance

- ◆ *Employers located in the areas that are classified as medium and high-risk of the epidemic in 2022, or in the closed management areas such as sealed control or prevention areas, can apply for deferred payment of **Pension, Unemployment, and Work-related Injury Insurance** from the next month after the areas got adjusted to non-medium-and-high risk areas or lifted closed management for **3 months**, but no later than December 31, 2022, no overdue fine and it won't affect social security rights of individual*
- ◆ *Exempt **local supplementary medical insurance** for 6 months (from Apr 2022 to Sep 2022)*

- Unemployment Insurance return for employment stabilization

- ◆ *Enterprises that don't lay off or reduce layoffs can enjoy Unemployment Insurance return. Large-scale enterprises will be refunded 30% of the Unemployment Insurance contributed by the company and employees of last year, increase the return ratio for medium, small and micro-enterprises from 60% to a maximum 90%*
- ◆ *Continue to implement the policy of reducing contribution rate of Unemployment Insurance and Work-related Injury Insurance, and continue to implement the floating rate policy simultaneously*

## Pandemic Relief Measures: Focusing on Shenzhen

---

- Deferred payment or reduction of Housing Fund

- ◆ *For employers that are affected by the epidemic and have difficulties in paying Housing Fund, they can apply for a deferral payment or to reduce Housing Fund contribution rate to a minimum of 3% for a period of no more than 12 months*

- Rent relief

- ◆ *For small and micro enterprises in Manufacturing or service industry and individually-owned businesses renting houses of the municipal and district governments or of municipal and district solely-owned, fully-owned and absolutely controlled state-owned enterprises, could get 3 months' rent waived and 3 months' rent halved*

# Q & A

Lynn.shen@dezshira.com

**Lynn Shen**

**Assistant Manager**

Tax & Accounting Services

Dezan Shira & Associates



**ASIA BRIEFING**

[www.asiabriefing.com](http://www.asiabriefing.com)



Newsletter



WeChat:  
DSA\_China



# DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



## Scan this QR code

Visit our mobile page and  
get the latest updates investors  
news and resources with us



# DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



- Dezan Shira & Associates Offices
- Dezan Shira Asian Alliance Members

## Global Offices

### CHINA

Beijing  
bajing@dezshira.com

Hangzhou  
hangzhou@dezshira.com

Shenzhen  
[shenzhen@dezshira.com](mailto:shenzhen@dezshira.com)

Oallan  
dallan@dezshira.com

Ningbo  
[ningbo@dezshira.com](mailto:ningbo@dezshira.com)

Suzhou  
su.zhou@dezshira.com

Oonguan  
ctonoouan@dezshira.com

Qingdao  
Qlnadao@dezshira.com

Tianjin  
[tianjin@dezshira.com](mailto:tianjin@dezshira.com)

Guangzhou  
"IJ"IIZhOO@dezshira.com

Shanghai  
\_nanghai@deZmlra.com

Zhongshan  
[zhongshan@-st.wa.com](mailto:zhongshan@-st.wa.com)

### INDONESIA

Jakarta  
[looooesla@oezsna.com](mailto:looooesla@oezsna.com)

Batam  
[balMI@deZShira.com](mailto:balMI@deZShira.com)

### HONG KONG

[hongkong@dezsha.com](mailto:hongkong@dezsha.com)

### INDIA

Delhi  
delhi@dezshira.com

Mumbai  
mumbai@dezshira.com

### SINGAPORE

[singapoo@de.shira.com](mailto:singapoo@de.shira.com)

### VIETNAM

Hanoi

[hano@dezshira.com](mailto:hano@dezshira.com)

### Ho Chi Minh City

[hcmc@dezshira.com](mailto:hcmc@dezshira.com)

### DaNang

[danang@dezshira.com](mailto:danang@dezshira.com)

### DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Malaysia  
[maJays.h@donhroom](mailto:maJays.h@donhroom)

The Philippines  
philippinOs:@doZshira.com

Toalland  
tha/tand@dGZS#a.com

### DEZAN SHIRA LIAISON OFFICES

Germany  
[germandeSk@dEIZ:StIra.CO](mailto:germandeSk@dEIZ:StIra.CO)

Italy  
ItalardeSlc@daZSt#a.com

United States  
[usa@dezshira.com](mailto:usa@dezshira.com)

Please email [asia@dezshira.com](mailto:asia@dezshira.com) or visit [www.dezshira.com](http://www.dezshira.com)

