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Foreword

The *China Tax Policy Review and Outlook* is a series of annual publications designed by PwC’s China National Tax Policy Services to review key tax policy developments in China and discuss the trends as well as its impacts on Chinese enterprises from a forward-looking perspective. This *2018 China Tax Policy Review and 2019 Outlook* is the fourth issue in the series.

2018 is a crucial year for implementing the 13th Five-Year Plan. During this year, the slowdown in global economic recovery, Sino-US trade issues, and domestic industrial restructuring have all exerted pressures on China’s economic growth. In order to realise steady growth in the domestic economy, China has continued to deepen the supply-side structural reform and advance the development of “Made in China” high quality transformation. At the same time, China has been transforming its role as the “world’s factory” to the “world’s market.” In November 2018, the China International Import Expo (CIIE) was successfully held in Shanghai, which is the world’s first import expo held at the national level. According to the statistics, CIIE attracted a total of 172 countries (regions) and international organisations, as well as more than 3,600 enterprises, with a trading volume of USD57.8 billion. As an important driver to China’s economic growth, the private economy has also gained a lot of attention and support in the past year. In November 2018, China’s national leader presided over a private enterprise symposium, at which he proposed a series of solutions to the difficulties of private enterprises, including establishing a level playing field, reducing tax burdens, and improving financing services, so to foster an enabling environment for the growth of the private economy.

2018 marks the 40th anniversary of China’s reform and opening-up. Despite the complexity and variability of the global competition landscape, China has been insisting on its fundamental policy of expanding its opening-up. China’s national leader mentioned at 2018 the Bo’ao Forum for Asia that “China’s door of opening-up will not be closed and will only open even wider.” During the year, China further lowered the threshold for foreign investment, officially launched the Shanghai-London Stock Connect, and included in the agenda the construction of Hainan Pilot Free Trade Zone and Shanghai New Area Pilot Free Trade Zone. All of these reflected China’s strategy to open up to the world. Besides, continuous support has also been provided to outbound investment, especially for projects along the Belt and Road countries/regions. In the past year, China signed new Belt and Road cooperation documents with more than 60 countries and international organisations. From January to November 2018, Chinese enterprises have invested in 56 countries along the Belt and Road, totalling USD12.96 billion, with an increase of 4.8% year-on-year.

Against this backdrop, 2018 was destined to be an extraordinary fiscal year. During the year, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) introduced a series of tax policies and reform measures on tax reduction, opening up, business environment improvement, and reform of taxation system as well as tax collection and administration system, while at the same time, process to enact relevant tax legislations are also being speed up, which include:
New chapter for IIT reform: The Individual Income Tax (IIT) reform was undoubtedly one of the most eye-catching changes in 2018. The new IIT Law was officially passed in August 2018 and took effect from 1 January 2019. The new IIT law has established a comprehensive taxation regime, added in specific additional deductions and anti-tax avoidance rules, revised the determination standards for resident and non-resident individuals, and transformed the tax collection and administration system, indicating that China’s IIT reform has entered a “new era”.

Continuous improvement on the tax and business environment: to improve the tax and business environment, the reform of “streamlined administration, delegated powers and improved regulations services” has been deepened. The Chinese tax authorities, with “Internet +” in mind, have been gradually promoting the development of a unified and standardised e-tax bureau across the country, providing convenience to taxpayers in going through the tax procedures. In addition, the SAT has also introduced measures to reduce the tax compliance burdens of enterprises, such as removing recording-filing procedure for assets loss deductions and preferential treatment claim, and simplifying the process for tax de-registration. All these measures have provided a better support to effectively allocate resources.

Legislate taxes step-by-step: Since the proposal at the 12th National People’s Congress to fully legislate all tax laws by 2020 was announced, various tax legislative work has proceeded as scheduled. In 2018, the Vessel Tonnage Tax Law was finally passed; at the beginning of 2019, the Arable Land Occupation Tax Law and the Vehicle Purchase Tax Law were officially promulgated. In addition, the draft Stamp Duty Law and the Urban Maintenance and Construction Tax Law have also been released for public consultation.

Reform of the state and local tax administration: In 2018, the state and local administration officially merged. The merger of state and local tax administration will further improve the efficiency of tax collection and administration, reduce taxpayers’ compliance burden, and enhance the consistency in tax policy implementation. In addition, starting from 1 January 2019, all social security contribution will be collected by the tax authorities. However, considering that transferring the administration and collection of social contribution to the tax authorities may increase enterprises’ compliance burden, and to leave more time for the transfer, the SAT issued a circular at the end of 2018 to defer the transfer of the duty to collect social contribution from enterprises (excluding social contribution of governmental and public institutions as well as urban and rural residents’ pension) to the tax authorities.

Comprehensive deepening of VAT reform: In 2018, value-added tax (VAT) has undergone comprehensive deepening reform. In line with the idea of “simplifying the VAT brackets from three into two to adjust the level of the VAT rate”, the MOF and SAT lowered the previous tax rates of 17% and 11% to 16% and 10% respectively. In addition, the scope of VAT credit balance refund has also been further expanded to a total of 19 industries, including advanced manufacturing, R&D and other modern service industries, power grid enterprises, etc., which have enhanced enterprises’ financial liquidity.

Further opening up to foreign investment: In 2018, China has taken multiple initiatives to expand opening up and attract foreign investment. For examples, the “negative list” for foreign investment was further shortened; the scope of re-invested projects that is eligible for the withholding tax deferral treatment for foreign investors was expanded to all non-prohibited projects.

Farewell to 2018 and embrace 2019. The head of SAT mentioned, in his New Year Speech, that in 2019 further measures would be taken to deepen the reform of the tax regime, consolidate the achievements gained from the reform of the state and local tax collection and administration system, seriously implement the various tax reduction initiatives, continue to deepen the reform of “streamlined administration, delegated powers, improved regulations services”, and improve the tax and business environment. For taxpayers, various tax reforms in the coming year are worth looking forward to, such as deepening of the VAT reform, adjustment of social contribution rates, as well as the enactment of various tax laws, etc.
Unveiling a new chapter in IIT reform

In recent years, there has been prevalent discussions about China IIT reform, and the trend of IIT reform has also attracted a lot of attention from all walks of life. On 31 August 2018, the 5th Session of the Standing Committee of the 13th National People’s Congress passed the Decision on Amending the IIT Law of the PRC, marking the final conclusion of the IIT reform that had been brewing for many years. To implement the major amendments to the IIT regime under the new IIT law, the State Council successively issued the Detailed Implementation Rules of the IIT Law of the PRC and the Provisional Implementation Measures for Specific Additional Deductions under the IIT Law, which not only provide more detailed and specific rules for implementing the new IIT law and newly added specific additional deduction policy, but also provide an important policy basis for subsequent IIT-related regulatory measures and circulars.

China has amended the IIT Law seven times since it was promulgated in 1980. This amendment is the most ground-breaking one, including: implementing a combination of comprehensive and schedular taxation system, introducing specific additional deduction items to establish an initial comprehensive deduction mechanism, introducing anti-tax avoidance rules, and revising the criteria in determining resident and non-resident status, as well as transforming the IIT collection and administration system. All these changes indicate China IIT reform has entered into a “New Era.”
Although the schedular taxation system adopted by China is simple in terms of IIT computation and collection, it could not completely measure the true capability of taxpayers to pay taxes under the current economic and social development, which is not conducive to the fairness of taxation. After the IIT reform, the number of taxable income categories are reduced from 11 to 9, among which “income from wages and salaries”, “income derived from remuneration for personal services”, “income derived from remuneration for manuscripts” and “income derived from royalties” are aggregated into an annual “comprehensive income”, marking the first step to a combination of comprehensive and schedular taxation system.

The tax rate table applicable to comprehensive income follows the sevenBracket progressive tax rates of 3% to 45% applicable to income deriving from wages and salaries prior to the amendment, but the IIT rate structure and brackets are adjusted. The brackets for the lowest three IIT rates of 3%, 10% and 20% have been expanded, with an aim to reduce the tax burdens of taxpayers, particularly low and middle income taxpayers.

It is worth noting that, under this IIT reform, only 4 of the 9 categories in the new IIT law are classified as comprehensive income, creating a partial “comprehensive taxation” system. The remaining 5 categories are still taxed under the old schedular method. With the progress of China IIT reform, it is anticipated that the income categories to be included under the “comprehensive taxation” system will be further expanded in the future, in line with the trend of developing the IIT regime into a modern IIT regime featuring the “comprehensive taxation” system.

With the rapid economic and social development in China, the level of taxpayers’ living expenditures varies greatly among regions and families, as such, the limitation of using the fixed basic standard deduction becomes increasingly obvious and it is difficult to reflect the ability-to-pay principle in taxation by simply raising the basic standard deduction amount. Meanwhile, a combination of comprehensive and schedular taxation system also provides legal basis for establishing a comprehensive and flexible deduction mechanism. Another highlight of this IIT reform is the introduction of 6 specific additional deduction items, namely, children’s education, continued education, major illness medical expenditures, housing mortgage interest or home rental (either one), and elderly care. These specific additional deductions follow the basic principles of “fairness and reasonableness, simplicity and convenience, alleviating taxpayers’ burdens and improving public welfare”, with more focus on “simplicity and convenience” during the initial implementation of the IIT reform by adopting a standard deductible amount for most of the items and relatively straightforward requirement of mainly self-keeping supporting document so to facilitate taxpayers to claim more deductible items and to reduce their tax filing burdens as well.

Compared with the basic standard deduction, the main feature of specific additional deductions is to target the reduction in tax burden targeted for taxpayers with a lot of expenditures and heavy family burden. This would not only align the tax burden of taxpayers with the income level but also with the actual family burden of the taxpayers, thereby implementing the ability-to-pay principle. In addition, the Provisional Implementation Measures of the Specific Additional Deductions for IIT clearly provides that a dynamic specific additional deduction adjustment mechanism will be established for s to adjust the scope and standards for specific additional deductions, according to the actual expenditures incurred for education, housing, medical care and other livelihood in a timely manner.

The Corporate Income Tax Law of the PRC, promulgated in 2007, firstly introduced the anti-tax avoidance rules, targeted for cracking down tax avoidance by corporate taxpayers for the purpose of tax benefits rather than normal business operations. However, the absence of anti-tax avoidance rules in the IIT framework has resulted in serious deficiencies through various tax avoidance activities by individual taxpayers, which is contradict to the ability-to-pay principle in taxation.

The IIT reform has introduced the anti-tax avoidance rules in the new IIT law for the first time, into which the arm’s length principle, the controlled foreign corporation rules and the general anti-tax avoidance rules are incorporated. The relevant provisions and concepts in the detailed implementation rules are also refined, demonstrating the determination of the tax authorities to strengthen IIT supervision in the future. It should be noted that the anti-tax avoidance rules in the new IIT law and its detailed implementation rules draw heavily on the relevant provisions in the prevailing CIT law. It is foreseeable that the tax authorities may apply their rich experiences accumulated from anti-tax avoidance practices in the CIT field into the IIT practices. The high net worth individuals with investment in China and cross-border assets should pay close attention to these new rules.
The IIT reform has given clear definitions of the “resident individual” and “non-resident individual” under the IIT regime, and introduced the internationally accepted “183 days” threshold in determining the tax residency status of individuals without a domicile in China. Adopting the “183-day” threshold is aligned with the international norm, which would facilitate interaction with most of the concluded tax treaties conceptually and the application of treaty benefit. However, as compared with the “one full year” threshold stipulated in the previous IIT law, the determination standard has been tightened.

It is worth noting that under the detailed implementation rules for the new IIT law, the important tax relief and exemption treatment for individuals without domicile in China has been retained and the “five-year rule” familiar to foreign individuals in China has been further extended to “six years”. Furthermore, the approval requirement provided in the previous IIT law was changed to a record-filing requirement only, which is in line with the current policy of “retaining and attracting talents” and “simplifying the procedures for handling tax matters for taxpayers”.

The new IIT regime also requires corresponding changes in the IIT collection and administration system. The new IIT law has explicitly established a new IIT collection and administration system, comprised of a new unique taxpayer identification number system, withholding of provisional IIT on comprehensive income by the withholding agent, annual IIT reconciliation filings by taxpayers, and IIT clearance by taxpayers before emigration. The new IIT regime also calls for information sharing across various government authorities to establish the taxpayers’ credit information system and to jointly implement the incentive and punishment mechanism, in order to safeguard the IIT collection and administration system jointly with the Tax Collection and Administration Law of the PRC. The changes and improvement of the IIT collection and administration system signifies China has moved from a tax collection and administration system which mainly focused on legal person (corporate) taxpayers to a system which places more focus to natural-person taxpayers. Incorporating the tax compliance of natural-person taxpayers into the personal tax credit record not only regulate and improve the taxpayers’ self-compliance, but can also gradually help to develop taxpayers’ awareness of tax compliance and foster a compliance culture.
Optimising tax environment to further support high-quality economic development

On 20 November 2018, the World Bank Group and PwC jointly published *Paying Taxes 2019* report. The report, which is also an important part of the World Bank Group flagship publication named *Doing Business Report*, measures changes over the past 14 years in the tax environment for a medium-sized domestic company in 190 economies worldwide via four key indicators. According to the report, in 2017, China achieved impressive progress on tax reform, and moved up to 114 in global ranking. Specifically, the time spent on tax compliance has fallen from 832 hours in 2004 to 142 hours in 2017, a decrease of 83%; over the same period, the number of payments has fallen from 37 in 2004 to 7 in 2017, a decrease of 81%.
China’s progress and improvement in the long history of Paying Taxes shows that taxation digitalisation is disrupting the traditional tax administration mode. The Chinese tax authorities have been gradually promoting the development of a unified and standardised e-tax bureau across the country based on the “Internet+” initiative, making it easier for taxpayers to go through the tax compliance procedures. Tax collection and administration now relies more on the big data-based risk analysis. It is also a driving force for the creation of a more relaxed and transparent tax/business environment between the tax authorities and enterprises.

Nowadays, taxpayers no longer need to travel to tax service halls repeatedly, since most of the tax-related matters can be solved online. In order to further optimise the tax environment, the SAT has adopted a series of measures, including continuing to optimise the Golden Tax III online system, steadily implementing the new VAT invoice management system, and promoting the integration of relevant information systems with the Golden Tax III project.

Stepping into the “Post-Golden Tax III” era, we can foresee that the continuous expansion and upgrading of tax informatisation will also add momentum to the implementation of e-VAT invoice in the future, realising automatic conversion between financial statements and tax returns, as well as more efficient and convenient online promotion and guidance to taxpayers.

In March 2018, the Central Committee of the Communist Party of China (CPC) issued the Deepened Structural Reform Scheme of the CPC and People’s Republic of China, setting forth the reform of tax administration, which includes: combining the state and local tax bureaus at and below the provincial level, and designating the tax authority to be responsible for the collection and administration of various tax and non-tax revenues within their own jurisdiction. In the meantime, the collection function of social contributions including basic pension insurance, basic medical insurance, unemployment insurance, etc. will all be transferred to the tax authorities, so to improve the efficiency for collection and administration of social contributions.

It signifies the kick-off of the most important and comprehensive reform in China’s tax collection and administration system since 1994. On one hand, the merger of state and local tax administration will further unblock the internal communication and information channels of the tax authorities, and integrate and optimise tax collection and administration process, which is directly related to the tax authorities’ efficiency for tax collection and administration as well as the tax compliance burden of taxpayers. On the other hand, inter-regional information sharing will also enhance the consistency of tax policy implementation.

Before the reform, the in-charge authority for social contribution varies among different regions. Due to the lack of information sharing mechanism across China, it resulted in the failure to report or underreporting by some enterprises, who are worried that the new tax collection may increase their burdens. In this regard, it is approved at the Executive Meeting of the State Council held on 18 September 2018 that “before the formal launching of the reform of the social contribution collection, all existing collection policies in each region shall remain unchanged” and “they are not allowed to collect the previous underpaid social contributions collectively from enterprises without permission.” In addition, considering that transferring the social contribution collection and administration function may increase enterprises’ burden, and to leave more time to prepare for the transfer, the SAT issued a document at the end of 2018 to postpone the transfer (not including the transfer of the collection of social contributions of governmental and public institutions as well as urban and rural residents’ pension insurance).

However, it should be noted that nowadays, with continuous upgrading of digitalised tax collection and administration, the tax authorities have built a relatively well-established collection, administration and risk identification system. In the long run, the transfer of the social security collection function to the tax authorities will enable the tax authorities to analyse the social contribution base and proportion, which will lead to a more standardised system for social contribution income, as well as more stringent implementation. It is recommended that enterprises (employers) establish a compliant internal social security payment process as soon as possible to reconsider and plan the future compensation structure of employees.
After the 2018 National People’s Congress and the Chinese Political Consultative Conference, the SAT launched a series of measures to reduce the tax compliance burdens of enterprises in response to the reform of “simplifying procedures and decentralising powers”, enhancing the effectiveness of resource allocation.

- **Tax filing: retaining documents concerning asset loss deductions and CIT incentives for post-filing examination**

  In terms of tax filing, the SAT issued the Public Notice Regarding Retention of “Asset Loss” Documentations for Future Examination Purpose (SAT Public Notice [2018] No. 15) in April 2018, which removed the checklist declaration and special declaration for asset losses. For annual CIT filing for 2017 and afterwards, taxpayers only need to complete the “breakdown of tax adjustment on assets loss form” in the annual CIT return, and retain the relevant documentation for post-filing examination by the tax authorities.

  Shortly after, the SAT removed the record-filing procedure for claiming CIT preferential treatments, and issued a revised Administrative Measures for CIT Preferential Treatment (SAT Public Notice [2018] No. 23, New Measures) which adopts a new mechanism of “self-assess, claim preferential treatment on filing, and retain supporting documents for future examination” in relation to claiming of CIT preferential treatments. That is to say, enterprises no longer need to go through the record filing procedures before claiming the preferential tax treatment in their annual CIT return. Instead, they have to collect relevant documents to support their eligibility to the CIT preferential treatment when performing the annual CIT filing and retain those documents for post-filing examination by the tax authorities. It also applies to the annual CIT filing for 2017 and afterwards. However, enterprises in the software and integrated circuit industries should note that documents retained to support the claiming of the 13 CIT preferential items relevant to their industries still need to be submitted to the tax authorities before the end of annual CIT filing period (i.e., before 31 May of each year).

  Therefore, it means that the tax authorities are changing their management mode from pre-event involvement to management during and after the event. The new mechanism simplifies the documents to be submitted on filing of CIT returns and improved taxpayers’ filing efficiency. However, it also imposes higher requirements on internal management and control such as understanding and analysing the relevant tax policy and collection of relevant supporting documents, which requires taxpayers to strengthen the understanding of tax policies and ensure that they are eligible to the relevant policies.

- **Tax de-registration: mechanism of allowing tax de-registration by making a commitment**

  In September 2018, the SAT issued the Notice on Further Refining the Tax De-registration Procedure of Enterprises (Shuizongfa [2018] No. 149), aiming to simplify the procedures and documentation requirement for tax de-registration, which includes:

  - Waiving the tax clearance certificate requirement for qualified taxpayers applying to use the simplified de-registration procedures;
  - A commitment mechanism for qualifying taxpayers applying to use the general de-registration procedures. That is, even if the required information is incomplete, taxpayers can still obtain the tax clearance certificate after making a commitment.

  In practice, the de-registration process of an enterprise is often complicated and time consuming, which has affected the efficiency of market mechanisms to a certain extent. At the end of 2016, the State Administration for Industry and Commerce issued the Guiding Opinions on Comprehensively Advancing the Reform of Simplified Enterprise De-registration Procedures (Gongshangqizhuzi [2016] No. 253), under which enterprises with clear debtor-creditor relationship can enjoy a simplified de-registration procedure and be exempted from submitting certain materials. Nowadays, the data exchange and connection of information channels and business processes between tax authorities and market supervision departments has not only improved government efficiency, but also enhanced the market exit efficiency and reduced the exit cost of market entities, which is one of the reform measures of the continuous deepening of business system reform.
Further reduction of tax burdens to generate new momentum for enterprise development

In 2018, in response to the changes in domestic and international economic landscapes, China has successively launched a series of policies and measures for reducing tax burdens, to support the development of the real economy and further stimulate the vitality of market players. It is reported that the total amount of tax reduction will exceed RMB1.3 trillion in 2018, which is higher than the target of RMB1.1 trillion set in March 2018. Both the amount and the speed of reducing tax burdens is beyond the previous expectations.
Comprehensively deepening of the VAT reform

From completing the B2V Pilot Program in 2016, to simplifying and lowering the VAT rate in 2017, and introducing the measures to deepen the VAT reform in 2018, we have witnessed that China VAT reform is going towards the direction of improving tax regime and reducing tax burdens.

Based on the requirements of the 2018 Government Work Report to “adjust the tax rate level according the direction of blending the tax rate brackets from three to two”, the MOF and the SAT jointly issued the Notice on Adjusting the VAT Rates (Caishui [2018] No. 32), according to which, the original VAT rates of 17% and 11% were lowered to 16% and 10% respectively, effective from 1 May 2018, and adjustment has also been made to the VAT rates for imported goods as well as to the export VAT refund rates. At present, besides the zero VAT rate, China still maintains three VAT rates of 16%, 10% and 6%, and has not yet completed the reform objective to adjust the VAT rate brackets from three to two. It is expected that there is still room for the VAT rates to be further reduced.

In addition to lowering the VAT rates, another good message for many small-medium size and micro enterprises is that, from 1 May 2018, the annual sales revenue limit for small-scale industrial and commercial VAT taxpayers was increased to RMB 5 million from RMB 500,000 and RMB 800,000 respectively. Meanwhile, enterprises with annual sales below this limit that have registered as general VAT taxpayers are allowed to change their registration status to small-scale VAT taxpayers within a specified period. Unifying and raising the limit for small-scale taxpayers not only allow more taxpayers to adopt the simplified method so as to promote the development of SMEs, it also reduces the administrative costs of tax authorities and improves efficiency in tax collection and administration.

Apart from lowering the VAT rate and unifying the threshold for small-scale VAT taxpayers, the fiscal and tax authorities also expanded the scope of input VAT credit refund. Before expansion of the scope of input VAT credit refund, input VAT credit that cannot be utilised in the current period can only be carried forward to the next periods. That means that if the input VAT amount for the period is more than the output VAT amount for the period, the excessive input VAT that cannot be unutilised can only be carried forward to the next periods. Only taxpayers in a few industries and fields were allowed to apply for the refund of the unutilised input VAT credit refund. The purpose of the “carry forward only” mechanism was to stabilise fiscal revenue and reduce the costs in tax collection and administration. However, for taxpayers with large amount of purchases at the early stage of operation or long R&D cycles that sales revenue have yet to be realised, this large amount of non-refundable input VAT credit balances may occupy their cash flow for a long time and increase the financing cost, which is not conducive to daily operations and business expansion. Therefore, more and more taxpayers were calling for expanding the scope for input VAT credit refund. The Notice on the Refund of the Input VAT Credit Balance for Certain Industries in 2018 (Caishui [2018] No. 70) issued in June 2018, expanded the scope of industries eligible for the input VAT credit refund to a total of 19 industries, including advanced manufacturing industries such as equipment manufacturing, and modern service sectors such as R&D, as well as power grid industry. The refund of the input VAT credit would further enhance the cash flow of taxpayers. It is expected that the applicable scope for input VAT credit refund will be further expanded in 2019. We are expecting China could implement a comprehensive and normalised mechanism of input VAT credit refund in the future.

Favourable policies have also been issued for export enterprises. In September 2018, the MOF and the SAT jointly issued the Notice on Increasing the Export VAT Refund Rates for Electromechanical Products and Cultural Products (Circular [2018] No. 93), to increase the export VAT refund rates of 397 products. Subsequently, the MOF and the SAT issued Circular No. 123 to further adjust the export VAT refund rates of 1,172 products and to simplify the export VAT refund rate brackets to five, in order to refine the export VAT refund policies decided in the Executive Meeting of the State Council. Raising the VAT refund rates for export products can help reduce the tax burdens on enterprises, enhance the competitiveness of domestic products in the international market, encourage enterprises to expand exports, and further support the sustainable development of relevant industries.
More intensified tax reduction policies

To further implement the measures of the State Council on reducing tax and easing burden and based on the foundation of the existing tax reduction measures, the MOF and SAT issued a series of tax reduction measures to further reduce the enterprise cost and promote the high-quality development of the real economy.

The Notice Jointly Issued by the MOF and SAT Refining the Accelerated Depreciation Methods for CIT Purposes (Caishui [2014] No. 75) allows a one-off deduction in the year of acquisition for R&D instrument and equipment acquired on or after 1 January 2014 with unit price not exceeding RMB 1 million. In 2018, the SAT issued the Notice on Implementing the CIT Deduction of Equipment and Appliances (SAT Public Notice [2018] No. 46) to expand the scope of equipment and appliances that are eligible for the one-off deduction by removing the requirement of “used exclusively for R&D activities”, and clarifies that the scope of equipment and appliances includes “fixed assets other than houses and buildings”. Meanwhile, it also raises the upper limit of the unit value of fixed assets from RMB 1 million to RMB 5 million. This provisions will further ease the pressure on corporate cash flow and encourage investment in fixed assets.

The MOF and SAT also jointly released the Notice Regarding the Policy on Deed Tax to Further Support the Transformation and Restructuring of Enterprises and Public Institutions (Caishui [2018] No. 17) and the Notice Extending the Land Value Added Tax (“LVAT”) Policy for Enterprise Transformation and Restructuring (Caishui [2018] No. 57), extending the deduction/exemption treatment of deed tax and the temporary exemption treatment of LVAT respectively for enterprises undergoing transformation and restructuring which expired at the end of 2017, and clarifying the practical problems previously encountered. For example, such Circulars include a new article stipulating that capital injection by a parent company into its wholly-owned subsidiary in the form of land and real estate shall be deemed as an asset assignment and is eligible for the deed tax exemption treatment, and specify that, in the situation where preferential policies on deed tax and LVAT are applicable, investors of the original enterprise must remain unchanged after an enterprise transformation and restructuring, however their investment ratio may vary. Based on the above provisions, enterprises are allowed to flexibly apply the preferential policies of deed tax and LVAT in such transformation and restructuring to substantially relieve their tax burden.

Widespread reduction in tariffs

At the opening ceremony of the first China International Import Expo (CIIE), China’s president announced that China would further lower tariffs, facilitate customs clearance, reduce costs in the import system, and accelerate the development of cross-border e-commerce and other new forms and models of business.

In fact, 2018 was the fourth consecutive year that for China has made large scale reduction in tariffs involving food, medicines, clothing, household appliances, automobiles, industrial products, and other products closely related to people's livelihood, as well as industrial products that are badly needed. China's overall tariff level has reduced from 9.8% in the previous year to 7.5%. The president's statement suggests that the overall tariff level in China will be further reduced in the future. On one hand, such large scale reduction in tariffs would benefit people's livelihood and meet the needs of upgrading people's consumption; on the other hand, it is also conducive to attracting more foreign investment, cutting the production costs of industrial enterprises, and boosting industrial upgrading.
Continuous innovation supported by taxation policies

Entrepreneurial innovation has become the new engine of China’s economic development. In 2018, China, in keeping momentum carried over from 2017, continued to introduce a series of tax reduction measures to encourage technological innovation, which further inspired enterprises to carry out reform and innovation.
In 2017, China released a circular to provide IIT incentive for individuals investing in start-ups in certain pilot areas including “Beijing-Tianjin-Hebei” region, Shanghai, Guangdong, Anhui, Sichuan, Wuhan, Xi'an, Shenyang and Suzhou Industrial Park through partnerships or directly as Als. For investment through a limited partnership VCE, it allows 70% of equity investment in qualified start-up technological enterprises made by the limited partnership VCE to be set off against the individual partners’ taxable income allocated from the limited partnership in the year after the investment has been held for two years; any unutilised amount is allowed to be carried forward for deduction in the following years. For direct investment as an AI, 70% of equity investment in qualified start-up technological enterprises is allowed to be deducted from the qualified AI’s taxable income derived from equity transfer of those start-up technological enterprises after a two-year holding period. Any unutilised amount can be carried forward for deduction in the following years. At the same time, the tax policy also extends the scope of eligible investment from small-to-medium-sized High-and-New Tech Enterprises (HNTEs) to the qualified start-up technological enterprises at the seedling stage and early stage.

In order to further encourage and support technological innovation and guide enterprise venture capital to flourish, the MOF and SAT jointly released the Circular on Tax Policies for Venture Capital Enterprises and Individual Angel Investors (Caishui [2018] No. 55) to extend such preferential tax policies nationwide.

Since the second half of 2018, the issue of whether natural person partners of VC funds can pay IIT at a flat IIT rate of 20% has aroused wide attention and discussion in the venture capital (VC) funds industry. In order to promote entrepreneurship and innovation, as well as maintain the stability of local tax policies that have been implemented in various regions to support VC funds, the Executive Meeting of the State Council held on 6 September 2019 has decided to refine the tax policies on VC funds, following the principle of not retrospectively applying the rules and ensuring that the overall tax burden would not increase.

In January 2019, the MOF and the SAT issued Circular [2019] No.8 (Circular 8), clarifying VC partnerships can choose either the individual investment fund method or the annual taxable income of the VC partnership in computing the IIT payable on the income derived by the natural person partners. The issuance of Circular 8 implements the principle of not increasing the overall burden on natural person partners, which is conducive to stabilising investors’ confidence, stimulating investments by natural person partners of VC partnerships, and promoting the steady development of VC funds.

To further stimulate the healthy development of private economy, promote entrepreneurial innovation and establish a favourable investment environment, the State Council held several executive meetings in 2018 and launched a series of tax reduction measures, including a key one on R&D expenses super deduction. In 2018, China introduced three measures in respect of the R&D expenses super deduction, which was detailed as follows:

- **Practice Guideline on R&D Expenses Super Deduction Policy (1.0 Edition) released:** In January 2018, the SAT compiled and released the Practice Guideline on R&D Expenses Super Deduction Policy (Edition 1.0) (Practice Guideline), which systematically reviewed the current policy for the R&D expenses super deduction and clarified many issues in the implementation of the policy through the following five chapters: “Overview of R&D expenses super deduction policy”, “Main content of R&D expenses super deduction policy”, “Accounting requirements for R&D expenses super deduction”, “Filing and reporting on R&D expenses super deduction”, and “Super deduction of R&D expenses incurred by small and medium technological enterprises”. The Practice Guideline explains the definition of R&D activities from three aspects: technology, accounting and taxation. It also refines and clarifies the definitions of several R&D models including “outsourced R&D activities”, and illustrates a range of issues like the standard for R&D expenses collection, documentation requirements, creative design activities, R&D contract registration, subsidiary account styles, and group’s R&D activities and reporting of related party transaction, etc.
• Expenses incurred for overseas entrusted R&D activities are qualified for super deduction: Before 2018, where an enterprise entrusted R&D activities to domestic external organisations or individuals, only 80% of the actual R&D expenses incurred in related to the entrusted R&D activities and booked as R&D expenses by the outsourcing party can be allowed for super deduction purpose, while the expenses incurred from entrusted overseas R&D activities are not eligible for super deduction. In order to encourage enterprises to increase R&D investment, the MOF, the SAT and the MOST jointly issued the Circular on Policy Issues Concerning the Pre-tax Super Deduction of Expenses Incurred For R&D Activities Subcontracted to Overseas Entitles (Caishui [2018] No. 64), which stipulates that 80% of the actual amount incurred in relation to the entrusted overseas R&D activities and booked as R&D expenses by the outsourced party is eligible for R&D super deduction if the R&D expenses incurred for the overseas entrusted R&D activities do not exceed two-thirds of the eligible R&D expenses incurred domestically.

• Expanding the R&D expenses super deduction nationwide: The MOF and the SAT jointly released the Circular on Increasing the Super Deduction Ratio of R&D Expenses for CIT Purpose (Caishui [2018] No. 99) in September 2018, which expanded the super deduction of 75% of R&D expenses originally applicable to small and medium sized technological enterprises to all enterprises during the period from 2018 to 2020.

Under the CIT Law, enterprises can only carry forward losses for five years. In real-life situation, the period between the commencement of R&D activities and the profit-making phase of enterprises may exceed 5 years or the enterprises may not even be able to generate relevant income within that period. Hence, for some enterprises, the losses incurred at the initial period would lapse even before they start to generate income from their own R&D developed products. To reduce the innovation cost of technological enterprises, especially small and medium sized ones, and further stimulate the R&D activities of Chinese enterprises, Circular on Extending the Loss Carry-forward Period of HNTEs and Small and Medium Sized Technological Enterprises (Caishui [2018] No. 76) stipulates that, from 1 January 2018, for those enterprises qualified as HNTEs and Small and Medium Sized Technological Enterprises in the year, unutilised losses incurred for the five years prior to receiving their qualifications are allowed to be carried forward and utilise in subsequent years. The maximum carry-forward period is extended from 5 years to 10 years.
China stepping up efforts to attract foreign investment and providing further guidance for non-residents enjoying tax treaty benefits

Foreign direct investment (FDI) has always played a significant role in promoting China's economic development. In recent years, China has all along been devoting itself to improving the business environment, expanding opening-up, and constantly enhancing the investment climate, to actively attract high-quality FDI and use it more efficiently. According to the statistics of the Ministry of Commerce (MOC), in 2018, the number of the newly approved foreign-invested enterprises across the country amounted to 60,533, up by 69.8% year on year; and the actual use of foreign investment reached USD134.97 billion, up by 0.9% year on year (equivalent to RMB885.61 billion, up by 3% year on year). With the continuous enhancement of international tax cooperation, the Chinese tax authorities have accumulated more practical experience in handling non-resident tax matters, and issued more favourable and clearer policies and guidelines on domestic tax treatments and Double Tax Agreement (DTA) treatments for non-residents.
Further liberalising market access for foreign investment

At the opening ceremony of the Bo’ao Forum for Asia in April 2018, the National Leader announced that China would take a series of major initiatives to open up, including extensive liberalisation of market access. Subsequently, the National Development and Reform Commission (NDRC) and MOC jointly issued the Special Administrative Measures for Foreign Investment (the Negative List) (2018 Version) (2018 National Negative List) and the Special Administrative Measures for Foreign Investment in the Pilot Free Trade Zones (PFTZ) (the Negative List) (2018 Version) (2018 PFTZ Negative List) at the end of June 2018.

• 2018 National Negative List

As compared with the 2017 National Negative List, 15 special administrative measures have been removed, the scope of foreign investment subject to administrative approval is further narrowed, and the market access is largely liberalised in the 2018 National Negative List:

- **Manufacturing sectors:** removed and relaxed the restrictions on foreign investment in the automotive, shipping and aviation sectors to various extents, which demonstrated China’s commitment to encourage foreign investment into high-end, smart and green manufacturing sectors.

- **Financial sectors:** removed the single foreign shareholding not exceeding 20% and the combined foreign shareholding not exceeding 25% restrictions in Chinese commercial banks by foreign investors; relaxed the shareholding ratio of foreign investment in securities companies, securities investment fund management companies, futures companies and life-insurance companies to 51%.

- **Culture, education and entertainment sectors:** removed the prohibition of investing in internet service business premises by foreign investors. However, it set forth new prohibitions on certain industries (e.g. a prohibition on foreign investment into film importation business, a provision to prohibit foreign investment in religious educational institutions, etc.).

- **Other sectors:** relaxed to various degrees in the infrastructure, transportation, business trade, agriculture, and energy and resources sectors.

The 2018 National Negative List replaced the 2017 National Negative List and, has taken effect nationwide from 28 July 2018.

• 2018 PFTZ Negative List

As compared with the 2018 National Negative List, the 2018 PFTZ Negative List is much more open to foreign investors. It not only reduces the number of measures in the current 2017 PFTZ Negative List from 95 to 45; it also, on the basis of the opening-up measures in the 2018 National Negative List, puts forward several new measures in the agriculture, mining, cultural services and value-added telecommunications services sectors, etc. to further remove and relax restrictions on foreign investment on a pilot run.

The 2018 PFTZ Negative List replaced the 2017 PFTZ Negative List which had been implemented in 11 the PFTZs since 30 July 2018.

Expanding the scope of withholding tax deferral treatment for foreign investment

The MOF, the SAT, the NDRC and the MOC (four ministries) jointly released the Notice Regarding the Provisional Deferral Treatment for Withholding Tax (WHT) on Direct Re-investment by Foreign Investors Using Profits Distributed from Tax Resident Enterprises (TREs) in China (Caishui [2017] No. 88) at the end of 2017, which stipulated that foreign investors were allowed to enjoy a WHT deferral treatment on the direct re-investment of profits distributed from Chinese TREs into China’s “encouraged projects”. In September 2018, the four ministries again jointly issued the Notice Regarding Expanding the Applicable Scope of Provisional Deferral Treatment for WHT on Direct Re-investment by Foreign Investors Using Profits Distributed from TREs in China (Caishui [2018] No. 102, Circular 102) expanding the scope of the direct re-investment projects eligible for WHT deferral treatment from “encouraged projects” only to all foreign investment projects as long as they are not prohibited. The issuance of Circular 102 demonstrates the commitment of the Chinese government to further attract high-quality foreign investment and encourage foreign investors to continue expanding their investment in China.
According to the DTAs signed by China and treaty partners, a non-resident deriving passive income (i.e. dividends, interests and royalties) from China, must be recognised as having a "Beneficial Ownership" (BO) status in that treaty country/region so as to enjoy tax treaty benefits. In 2009, the SAT released Guoshuihua [2009] No. 601 (Circular 601) to set forth seven unfavourable factors in determining BO status. It subsequently issued SAT Public Notice [2012] No. 30 (Public Notice 30) in 2012, which introduced a safe harbour rule for listed companies to claim tax treaty benefits on dividend income. In order to address the uncertainties and key issues identified in the non-resident tax administration over the years, the SAT released the Public Notice Regarding the “Beneficial Ownership” Under DTAs (SAT Public Notice [2018] No. 9, Public Notice 9) to comprehensively update the assessment principles for the determination of BO, and abolished Circular 601 and Public Notice 30.

As compared with Circular 601 and Public Notice 30, Public Notice 9 has amended the original seven unfavourable factors for determining BO status and reorganised them into five unfavourable factors. In particular, Public Notice 9 tightens the 1st unfavourable factor that is even if the applicant for treaty benefits (applicant) has no contractual obligation to pay, but has actually paid more than 50% of the income within 12 months of receiving the income to a third jurisdiction tax resident, it would be considered to be an unfavourable factor.

Furthermore, with respect to dividends, Public Notice 9 has extended the scope of non-residents eligible for the safe harbour rule, and makes a breakthrough to provide the same country/ (region) rule and same treaty benefit rule for non-resident applicants: that is, under a multi-tier holding structure, the applicant can be deemed to be the BO of the dividend received from China and enjoy the relevant treaty benefits under either of the following two scenarios. This greatly increases the chances of non-resident taxpayers enjoying tax treaty treatment.

- **Scenario 1:** The shareholder directly or indirectly holding 100% equity interest of the applicant qualifies as a BO, and the above-mentioned shareholder and the applicant are tax residents of the same tax jurisdiction (the same country /region) rule;  

- **Scenario 2:** Although the applicant and the shareholder which directly or indirectly holds 100% equity interest of the applicant are tax residents of different tax jurisdictions, the applicant can be deemed to be the BO as long as the above-mentioned shareholder qualifies as a BO and the above-mentioned shareholder and all the intermediate shareholders in between are tax residents from jurisdictions with the same or better tax benefit with respect to dividends as compared with the applicant (the same treaty benefit rule).

Public Notice 9 reiterates that China has adopted the minimum standard recommendation in BEPS Action 6 (Preventing the Granting of Treaty Benefits in Inappropriate Circumstances, i.e. the principal purpose test (PPT)), which reflects the efforts made by the Chinese tax authorities in aligning its interpretation and implementation of tax treaties with international standards. The new rules has been welcomed by non-resident taxpayers, increased the chance of non-resident taxpayers enjoying the tax treaty benefits, and reduced the difficulties faced by local level tax authorities in their post-filing administration. However, the tightening of the unfavourable factors also reflects that the Chinese tax authorities would look into both the form and substance /fact of the arrangements and pay more attention to the substantive business activities of an applicant, so as to prevent tax treaty abuse.

The **SAT has updated its interpretation of tax treaty articles, providing guidance for non-residents enjoying treaty benefits**

The Interpretation of the Articles in the Agreement Between the Government of the People’s Republic of China and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and the Relevant Protocols (Guoshuihua [2010] No. 75, Circular 75) issued by the SAT in 2010 provides an important reference for the interpretation of non-residents enjoying tax treaty treatment in China. The SAT issued the Public Notice on Issues Concerning the Implementation of DTAs (SAT Public Notice [2018] No. 11, Public Notice 11) in February 2018, which updates its interpretations of the permanent establishment (PE) article and the shipping and air transport article, defines the DTA treatment for a partnership and its partners, and provides a clearer guidance for non-residents enjoying tax treaty benefits.

**Permanent establishment article:** Under the China/Singapore DTA, the term of “a period or periods aggregating more than 183 days within any 12 months” is used for the determination of a service PE. However, in many DTAs signed by China in early years, the determination of a service PE is based on the term of “a period or periods aggregating more than 6 months within any 12 months”. In practice, the local-level tax authorities and non-resident taxpayers often have disputes on how to calculate the 6-months period. Public Notice 11 clarifies that the Chinese tax authorities would use “183 days” to implement the term “6 months period”. This long-awaited explanation is very friendly and has been greatly welcomed by non-resident taxpayers.

**Shipping and air transport article:** Circular 75 has excluded the income from voyage charter, time charter and wet lease from the scope of international transportation income, but such interpretation in Circular 75 is inconsistent with the international practice. Public Notice 11 has taken the international practice into consideration and classified the income of voyage charter, time charter and wet lease as income from international transportation eligible for the relevant DTA benefits. This new interpretation of Public Notice 11 will bring significant benefits to non-resident international transportation enterprises.
DTA treatment for a partnership and its partners: Public Notice 11 clarifies that, for a partnership established in China, if its partner is a tax resident of the other contracting jurisdiction, the portion of the taxable income derived by such partner from China which is deemed as the income of the tax resident of the other contracting jurisdiction may be eligible for the DTA benefits in China. However, Public Notice 11 has not set out further guidance on how to assess whether or not a non-tax resident partner would have constituted a PE in China. This gives rise to uncertain issues such as whether the income earned by a non-resident partner from China is active or passive, and which DTA articles (e.g., permanent establishment, business profits, dividends, interest or capital gains, etc.) shall apply to such income. These issues remain to be clarified by the SAT.

Public Notice 11 clarifies the DTA treatment for a partnership established outside China either being treated as a taxable entity or as a tax transparent entity. Specifically, when a partnership is treated as a tax transparent entity, the Chinese tax authorities will grant the DTA benefits to the partners of the partnership only if the DTA between China and the other contracting jurisdiction clearly stipulates that under the above-mentioned circumstances, the partners who are tax residents of the other contracting jurisdiction may enjoy the relevant DTA benefits. At present, China has only signed agreements containing tax transparent entity clauses with a few countries, thus most partnerships or its partners cannot enjoy any DTA benefits in China. As such, the interpretation of Public Notice 11 is stricter than that of international tax rules.
Outlook for 2019

Since the financial crisis in 2008, the global economy has been reviving for a period of time, but the trend of economic recovery has gradually slowed down in recent years. In this regard, China has continued to insist on further expanding its opening up to world and accelerating the reform process domestically. Therefore, we believe China will continue with its fiscal and tax reform and focus on fiscal and tax policies to promote economic development in 2019.
Further tax reduction is the primary reform measures.

In 2018, China implemented many tax reduction policies, which may further as long as it is within the affordable limit of fiscal expenditures, specifically it may include: continuation of the VAT credit balance refund policy in the industries selected by the fiscal and taxation department in 2018 or even expansion of the scope of eligible industries with the practical experience accumulated since the implementation; further reduction in the VAT rates in 2019 to achieve the goal of blending the tax rate brackets from three to two; increase in the R&D super deduction percentage (currently at 75%) as there is still room for further increase as compared with the super deduction percentage in developed countries.

Encourage foreign investment and boost private economy.

In 2018, the fiscal and tax departments have successively introduced preferential tax treatment to support small and micro enterprises and innovative enterprises, and further expanded the withholding tax deferral treatment for foreign reinvestment. In 2019, we believe that China will introduce more measures in these areas to encourage foreign investment and support the private sector.

Reform of the tax collection and administration.

After the merger of the state and local tax authorities, social security contributions, would be collected by the tax authorities in the near future. In that respect, the levying and collection of social security contribution may undergo major changes in 2019. The effective collection and administration means of the tax authorities would greatly enhance the efficiency in social security contribution collection and may make room for reduction in the social security contribution rates. In addition, regarding the Thousand Groups Project, the SAT may consider making the process of data collection more open and transparent and also in a unified way so as to respond to the request of the Thousand Groups entities. The large enterprises data collected will be used for risk identification and analysis on one hand, and will also be applied to improve the tax services to large enterprises on the other hand.

Tax service improvement.

In 2018, the SAT launched an upgraded platform of e-tax bureau, improved the “one-form integration” of VAT filing and further expanded the scope of “one-network processing”. The purpose of using these technologies is to provide taxpayers with better services, enhance their sense of achievement, and create a better tax and business environment. In the next year, the SAT will continue to benchmark with the highest international standards, improve the tax and business environment, and enhance China’s position and influence in the global business environment.

Anti-tax avoidance.

The SAT would make the monitoring of multinational enterprises’ profit level a priority in China’s future anti-tax avoidance work and has already rolled out the pilot program for relevant information management systems in Beijing, Sichuan, Jiangsu, Ningbo, Shenzhen and other places to begin collecting basic data. In the coming period of time, the Chinese tax authorities would strengthen the monitoring of the profit level of cross-border related-party transactions, establish a “globally-integrated” profit level monitoring system for multinational enterprises with a unified statistics standard and risk assessment system, and conduct scanning and risk testing on single enterprises from all levels to understand the overall operation profile of multinational groups and to perform risk warnings in a multi-dimensional manner. At natural person level, the new IIT Law, which takes effect in 2019, has introduced the arm’s length principle, the concept controlled foreign companies, and general anti-avoidance provisions. It is expected that in the future, Chinese tax authorities would take relevant actions to implement anti-tax avoidance regulations at the natural person level. It should be noted that China has started the automatic exchange of tax information under the first batch of “Common Reporting Standard” (CRS) in 2018, which has also prompted China’s tax authorities to implement anti-tax avoidance regulations on natural persons from 2019.

Legislate tax laws.

The legislative work for various tax laws has gradually been sped up since the 12th National People’s Congress (NPC) proposed to fully implement the statutory taxation principle by 2020. In 2018, the IIT Law (Amendment) (effective from 2019) and the Vessel Tonnage Tax Law (effective from July 2018) were finally passed. In addition, a number of draft tax laws have also been released for public comment, including the Stamp Duty Law, the Urban Maintenance and Construction Tax Law, etc. As the time limit for fully implementing the statutory taxation principle is approaching, it is believed that many drafts will be approved and even officially promulgated in 2019.

International Taxation.

The Organisation for Economic Co-operation and Development (OECD) released the Resumption of Application of Substantial Activities Factor to No or only Nominal Tax Jurisdictions under its Inclusive Framework on Base Erosion and Profit Shifting (BEPS) requiring “no or only nominal tax” jurisdictions to introduce “substantial activities requirements” in order for their tax regime not to be considered as “harmful tax practice.” A number of traditional low-tax jurisdictions, including Bermuda, Cayman Islands, and British Virgin Islands (BVI) have already enacted domestic substance legislation effective from 1 January 2019. Under the legislation, the tax authorities of these jurisdictions will exchange information in respect of an entity which fails to meet the economic substance requirements with the tax authorities of the jurisdictions in which the parent company, ultimate parent and ultimate beneficial owner of the relevant entity are located. This provision would certainly help Chinese tax authorities to identify such tax evasion or tax avoidance cases easily.
Digital Economy.

OECD and its Inclusive Framework on BEPS released the policy note and the public consultation document in respect of *Addressing the Tax Challenges of the Digitalisation of the Economy*, which sets out the priorities for the next steps and commits to a consensus-based, long-term tax solution for digital economy by the end of 2020. Major changes in international tax rules can be expected soon. As the initiator of the G20 digital economy working group, China is deeply involved in the digital economy tax policy. As a result, China is likely to respond quickly and cooperate with relevant countries to obtain the most updated data and take timely action.

Cooperation between tax authorities along the Belt and Road.

In the next year, the SAT will continue supporting the "One Belt, One Road" Initiative. The SAT will host the Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) in Wuzhen, Zhejiang in April 2019, and will invite tax administrators along the Belt and Road jurisdictions to send representatives to attend. In the BRITACOF, a tax administration cooperation mechanism for Belt and Road Initiative (BRITACOM) is expected to be established and four main topics, namely Statutory Taxation, Tax Certainty, Tax Compliance and Tax Dispute Resolutions, would also be discussed, which would definitely benefit "going-broad" Chinese enterprises and other multinational enterprises that are interested in investing in the Belt and Road countries.
List of China Tax/Business News Flashes published in 2018

Jan 2018, Issue 3 - China: Talent Visa for foreign high level talents

Jan 2018, Issue 5 - The way forward: observation of new annual CIT return package (2017 version)

Feb 2018, Issue 6 - China issues clearer guidance for the determination of "Beneficial Ownership"

Feb 2018, Issue 7 - China updates its interpretation of a few tax treaty articles

Mar 2018, Issue 8 - An observation of the key fiscal and taxation task in China's Government Work Report in 2018

Mar 2018, Issue 9 - More than just a "slight" tax rate cut - A brief analysis and outlook of VAT reform measures

Apr 2018, Issue 10 - Find out more on VAT rate cut

Apr 2018, Issue 11 - How should Chinese enterprises deal with the impact of the China-US trade dispute?

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May 2018, Issue 14 - China to upgrade the administrative measures for CIT preferential treatment by removing the record-filing procedure

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June 2018, Issue 18 - Is invoice king? - China Released the Administrative Measures for CIT Deduction Vouchers

June 2018, Issue 19 - China's IIT regime enters into a new era - a breakthrough from the current framework

July 2018, Issue 20 - China's individual income tax reform - Draft Amendment for public comment: more details, more attention

July 2018, Issue 23 - Negative Lists for Foreign Investment are Further Shortened - Releasing New Signals for Opening-Up to Foreign Investment

Aug 2018, Issue 25 - Taiwan, Hong Kong and Macau residents no longer require work permit for employment in mainland China

Sep 2018, Issue 26 - China's IIT reform nailed down - a glimpse of the new IIT Law

Sep 2018, Issue 27 - Dispute and reflection on IIT treatment for natural person limited partners of domestic private equity funds in the form of a partnership
Sep 2018, Issue 28 - The overall tax burden of venture capital funds will not increase - the newly held State Council Executive Meeting proactive response to taxpayer’s request

Sep 2018, Issue 29 - Export VAT refund rates of nearly 400 products are increased, significantly benefitting exporters

Oct 2018, Issue 33 - Profit level monitoring of cross-border related party transactions - the priority of China’s anti-tax avoidance work in the future


Oct 2018, Issue 35 - China further released new IIT preferential policies to benefit individuals investing in NEEQ-listed companies as well as Venture Capital Funds
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For any China tax queries, please contact your client service partner or any one of the following partners in charge of or resident in the locations listed:

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</table>
## Lead specialist partners

To make enquiries about our China tax specialist services, please feel free to contact the following lead specialist partners:

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<th>Specialist</th>
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