

September 2011

Circular Number	Issuance Date	Effective Date	Topic	What is new?
SAFE Announcement [2011] No.2	2011-9-9	2011-12-1	Pilot Reform of Foreign Exchange Control System for International Trade in Goods	<p>This announcement was jointly issued by the State Administration of Taxation (SAT), the State Administration of Foreign Exchange (SAFE) and the General Administration of Customs (GAC).</p> <p>The announcement states that the provinces of Jiangsu, Shandong, Hubei, Zhejiang (excluding Ningbo) and Fujian (excluding Xiamen) as well as the cities of Dalian and Qingdao will become pilot areas for a reform in foreign exchange control system regarding international trade in goods. The reform aims to simplify foreign exchange control as well as export VAT refund procedures to facilitate international trade in goods. Specifically, enterprises in the pilot areas will no longer be required to go through the verification and write-off procedures for export proceeds in foreign exchange. For VAT refund purposes, they will no longer be required to submit the paper verification and write-off form for export proceeds in foreign exchange.</p> <p>A dynamic classified management system will be adopted for enterprises in the pilot areas. Those rated grade "A" by the local SAFE are entitled to simplified procedures for paying and receiving foreign exchange for trade in goods while those rated grades "B" and "C" are subject to stricter supervision.</p> <p>Also detailed guidelines and implementing rules have</p>

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				been issued.
Circular Caishui [2011] No. 70	2011-9-7	2011-1-1	Corporate Income Tax treatment regarding financial subsidies with designated purpose of usage	<p>This regulation clarifies that financial subsidies received from county-and-above-level Governments are not taxable if (1) they are supported by a written document issued by the corresponding Government concerning the designated purpose of usage of such fund; and (2) the relevant Government has specific administrative measures regarding such fund; and (3) the enterprise keeps a separate accounting records for the receipt and usage of the fund. On the other hand, the relevant expenditure from such non-taxable fund is not tax deductible.</p> <p>If such fund has not been used within 5 years, the unused portion shall be included in the taxable income in the 6th year.</p>
SAT Announcement [2011] No. 49	2011-9-14	2011-10-1	VAT invoices not verified within stipulated period	<p>Under the current PRC tax law, the genuineness of VAT invoices shall be verified by the tax authority within a certain time period before the relevant input VAT can be credited. Such period is currently 180 days after the issuance of the VAT invoice. If verification is not conducted within such time period, according to Article 3 of the Tax Circular Guobanfa [2000] No. 12, the relevant input VAT can no longer be credited.</p> <p>The announcement abolishes the above Article 3. A separate tax circular will be issued regarding the treatment of VAT invoices obtained after 1 January 2007 which failed to be verified within the required time period.</p>

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				Enterprises with such old unverified VAT invoices may have the chance to make the relevant input VAT creditable again if the new tax circular would allow so.
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