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## China Preferential Policies Ceasing in 2021 - VAT

### 1. General taxpayers re-register as small-scale taxpayers

General taxpayers, which meet the condition that ‘the cumulative sales for 12 consecutive months (one month is one tax period) or four consecutive quarters (one quarter is one tax period) before the re-registration date does not exceed 5 million yuan’, may choose to re-register as small-scale taxpayers before December 31, 2020.

### 2. To support epidemic prevention and control

(1) The manufacturing enterprises of key protection materials for epidemic prevention and control can apply to the competent tax authority for a full refund of incremental VAT credits on a monthly basis.

The term “incremental VAT credits” mentioned in this announcement refers to the newly increased period-end VAT credit compared with the end of December 2019.

(2) VAT is exempted for taxpayers' income from transportation of key materials for epidemic prevention and control.

(3) Taxpayers shall be exempt from VAT on income derived from provision of public transportation services, daily life services, and the express delivery service of necessary living materials for residents.

(4) Work units and individual industrial and commercial households donate self-produced, entrusted processed or purchased goods to respond to Covid-19 epidemic through public welfare social organizations and people's governments at or above the county level and their departments and other state agencies, or directly to hospitals that undertake epidemic prevention and control tasks, are exempt from value-added tax, consumption tax, urban maintenance and construction tax, education surcharge, and local education surcharge.

### 3. Interest income from loans to small and micro enterprises of financial institutions

From September 1, 2018 to December 31, 2020, the interest income obtained by financial institutions from issuing small loans to small businesses, micro businesses and individual industrial and commercial households will be exempt from VAT.

4. Medical services, free loans within the group

From February 1, 2019 to December 31, 2020, medical institutions accept the entrustment of other medical institutions, provide various services listed in the "National Medical Service Price Project Specification" in accordance at or below guided prices set by the price authorities at or above the prefecture (city) level in conjunction with the health authorities at the same level and other relevant departments (including government guided prices and prices negotiated by the supply and demand parties in accordance with regulations, etc.) , the aforesaid services are exempt from VAT.

From February 1, 2019 to December 31, 2020, the free borrowing of funds between business units within the same group (including enterprise groups) will be exempt from VAT.

5. Border-sale tea

From January 1, 2019 to December 31, 2020, VAT shall be exempted for the sales of self-produced border-sale tea by the border-sale tea production enterprises and the border-sale tea sold by the distribution enterprises.

6. Production and sales of new regional aircraft, and involvement in large passenger aircraft development projects

From January 1, 2019 to December 31, 2020, the taxpayer's production and sales of new regional aircraft will be imposed VAT at temporarily reduced rate of 5%, and the VAT credits at the end of the period due to the production and sales of new regional aircraft will be refunded. The tax credit is refunded. The VAT credits at the end of the period formed by taxpayers engaged in the development of large passenger aircraft will be refunded.

7. Domestic anti-HIV drugs

From January 1, 2019 to December 31, 2020, domestic anti-HIV drugs will continue to be exempt from VAT in production and circulation.

8. Independent development and production of animation software

From May 1, 2018 to December 31, 2020, general VAT taxpayers of animation companies who sell animation software independently developed and produced by themselves will be imposed VAT at a rate of 16%, and the actual VAT burden which exceeds 3% shall be refunded immediately after collection.

9. Film and other industries tax reduction

From January 1, 2020 to December 31, 2020, the taxpayer's income derived from film screening services shall be exempt from VAT.

10. Part of the publication, book wholesale and retail, ticket revenue

From January 1, 2018 to December 31, 2020, policies such as 100% and 50% refunds will be implemented for some publications; VAT for book wholesale and retail will be exempt; the ticket income of science popularization units, and ticket revenues on science popularization activities held by party and government departments and the Association for Science and Technology at the county level and above are exempt from VAT.

11. Loan in relation to agriculture

From July 1, 2018 to December 31, 2020, for the interest income obtained from provision of loan to farmers, rural enterprises and various rural organizations by county-level branches of Postal Savings Bank of China under the jurisdiction of provinces, autonomous regions, municipalities directly under the Central Government, and cities under separate state planning that are included in the reform of the "Three Rural Financial Business Department", it is allowed to calculate and pay VAT using the simplified method at 3%.

12. R&D institutions purchase domestic equipment

From January 1, 2019 to December 31, 2020, VAT for domestic-made equipment purchased by domestic-funded R&D institutions and foreign-funded R&D centres shall be fully refunded.

13. Interest income from loans to small and micro enterprises of financial institutions

From September 1, 2018 to December 31, 2020, the interest income obtained by financial institutions from issuing small loans to small businesses, micro businesses and individual industrial and commercial households will be exempt from VAT.

14. Rural drinking water safety project

From January 1, 2019 to December 31, 2020, the sales revenue of tap water obtained by drinking water project operation and management units that provide water to rural residents will be exempt from VAT.

*If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following and talk to our professionals:*

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