



## CHINA – January 2020

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### CHINA’S YANGTZE RIVER DELTA REGION TO BENEFIT FROM IMPROVED TAX SERVICES..... 1

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#### China’s Yangtze River Delta Region to Benefit from Improved Tax Services

China has announced 16 measures to facilitate tax services for businesses located in the Yangtze River Delta Economic Region.

The new tax measures support China’s master plan for the integrated development of the Yangtze River Delta.

Regional tax bureaus in the region have held their first joint conference and worked out implementation plans.

On December 4, 2019, China’s State Taxation Administration (STA) issued the Circular on the Measures Designed to Support and Serve the Development of the Regional Integration in the Yangtze River Delta (Shui Zong Han [2019] No.356).

The Circular proposes 16 measures to improve tax services for enterprises in the Yangtze River Delta, which include facilitating cross-provincial taxation for enterprises, shortening the processing time of tax matters, strengthening the interlocal sharing of taxpayer’s tax-related credit information, and boosting smart tax services with the help of 5G, blockchain, and other technologies.

These measures were released right after government’s roll-out of the Master Plan for Integrated Regional Development of the Yangtze River Delta on December 1, 2019. The master plan sets an ambitious goal to build the Yangtze River Delta – which covers Shanghai municipality, and Jiangsu province, Zhejiang province, and Anhui province – among the most influential and dynamic growth centers in the country.

In a substantial step forward, on December 26, the tax bureaus of three provinces (Jiangsu, Zhejiang, and Anhui) and two cities (Shanghai and Ningbo) held their first joint conference in Qingpu, Shanghai.

During the conference, the five regional tax bureaus signed the cooperative agreement and adopted two documents detailing the joint conference work mechanism and the work plan.

#### Facilitating cross-provincial tax service

Among the 16 measures, the first three tax measures aim to further ease the cross-provincial tax collection and management of enterprises in the delta region.

Enterprises with a high tax credit rating of A or B relocating within the delta region will benefit from this as the local tax authorities of the two places within the delta region are supposed to automatically coordinate and handle the transfer of taxpayer’s information.

The enterprise’ tax credit scores, end-of-period value added tax (VAT) credit, and other rights and interests can be retained and transferred to the relevant tax bureau in the place where the business has relocated to.

In addition, taxpayers registered in one city can handle tax affairs at another city within the regions through the “electronic tax authority,” including payment of property tax and urban land use tax.

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### Compiling unified lists to streamline tax management

The measures also call for drafting three lists – to unify tax management – in the delta region. These include a list of “first violations without penalty”, a list of tax service items that should be closed on-site, and a list of tax matters that can be handled in any place within the region.

The list of “first violations without penalty”, for example, may allow taxpayers who are found guilty of minor illegal acts for the first time but later corrected the irregularities to be exempted from any punitive measures. This is expected to help bolster the region’s start-ups, small businesses, and reinvigorate the market.

### Sharing taxpayer credit information

Another measure seeks to share taxpayers’ credit information among the different provincial tax authorities in the Yangtze River Delta region, including taxpayers’ dynamic credit scores and credit evaluation results.

Based on the taxpayer credit ratings, the region’s local governments will implement the differentiated administrative measures for taxpayers.

It is specified that taxpayers with high credit scores can enjoy simplified filing process, shortened time frame for handling tax affairs, and fewer on-site inspections.

### Introducing smart tax services

Tax authorities are encouraged to actively explore the use of 5G, blockchain, artificial intelligence, and other technologies to further optimize tax law enforcement and achieve smart tax services like intelligent guidance, intelligent form-filing, and intelligent audit.

Meanwhile, the Circular states that tax authorities in the Yangtze River Delta region will, based on the actual situation, further expand the scope of application for tax incentives.

To avail future benefits – taxpayers need to retain relevant documents rather than submit for record-filing – a move to make it more convenient for taxpayers seeking access to tax preferential policies.

### Investors advised to monitor tax measures in the Yangtze River Delta region

The above measures are expected be implemented one after another soon. As stated in the joint conference work mechanism document – the next step will see the five local tax bureaus establishing a three-tier cooperation framework consisting of joint meetings, cooperation offices, and special working groups to guarantee the implementation of various tax policies and measures.

Foreign investors doing business in the Yangtze River Delta region should monitor the implementation of these tax measures or seek local expertise to better leverage the incentives as they roll-out in the near future.

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