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New Financial and Tax Policies

Service Cases

Brighture Salon

KRESTON News

Seniority as of Now

BRIGHTURE, 19 Years in financial and tax services

Mission Statement :

Add value to clients by professionalism, be a respected financial consultant

Vision :

Be a leader in financial service sector and a century business

Values :

Always focus on the clients and serve them with professionalism, integrity and efficiency



Shanghai



Qingdao

1. In order to implement the Opinions on Further Reform of Tax Collection and Administration issued by the General Office of the CPC Central Committee and the General Office of the State Council, enhance the tax and business environment and eliminate adverse effects, the State Administration of Taxation issued the Circular on Matters Related to Tax Payment Credit Evaluation and Repair (SAT Circular [2021]No.31), with provisions as follows:

(1) Taxpayers who meet any of the following conditions may apply to the competent tax authorities for tax payment credit repair:

①A bankrupt enterprise or its manager has duly paid taxes, overdue fees and fines and corrected tax credit breach in the process of reorganization or reconciliation.

②A taxpayer whose tax credit has been directly adjudged as GRADE D because it had been identified as a subject of major tax violation and credit breaking, whose information of credit breaking subject has not been published or ceased to be published subject to relevant provisions of the State Administration of Taxation, and who has no new record of tax credit breaking for 12 consecutive months before the application.

③A taxpayer that is registered or operated by the person directly responsible for the GRADE D tax payment credit thereof, that has a Grade D in tax payment credit associated evaluation, and has no new record of tax credit breaking for 6 consecutive months before the application.

④A taxpayer whose tax payment credit is directly adjudged as GRADE D due to other credit breaking acts has corrected his/her tax payment credit breaking acts and fulfilled tax legal responsibilities, and has no new record of tax payment credit breaking for 12 consecutive months before the application.

⑤A taxpayer whose tax credit of the previous year was adjudged as GRADE D and whose tax credit of the current year remains as Grade D have corrected their tax payment credit breaking acts and fulfilled their tax legal responsibilities, or whose information of credit breaking subject has not been published or ceased to be published subject to relevant provisions of the State Administration of Taxation, and has no new record of tax payment credit breaking for 12 consecutive months before the application.

(2)Effective from the tax payment credit evaluation in 2021, tax authorities will not impose administrative penalties for the first violation on taxpayers, and the records related thereto will not be included in the tax payment credit evaluation.

This Announcement shall take effect as of January 1, 2022.

2. In order to implement the Opinions on Further Reform of Tax Collection and Administration issued by the General Office of the CPC Central Committee and the General Office of the State Council and upgrade digital and intelligent transformation of tax collection

and administration, Shanghai Taxation Bureau of the State Administration of Taxation issued the Notice on Piloting Comprehensive Digital Electronic Invoice (Notice No.3 of Shanghai Taxation Bureau of the State Administration of Taxation, 2021), with provisions as follows:

① Effective December 1, 2021, a pilot campaign of full-electric invoice will be launched among taxpayers in Shanghai.

②Full electric invoice has the same legal effect and basic purpose as the existing paper invoice.

③After the pilot taxpayers pass the real-name verification, they do not need to use special equipment for tax control, do not need to go through the type of invoice verification and receive the full-electric invoice, instead, they can use the electronic invoice service platform to issue invoices.

④Tax authorities shall administer the total amount of invoice issued by pilot taxpayers.

⑤Pilot taxpayers who have obtained VAT deduction vouchers to declare VAT input deduction or apply for export tax refund or agent tax refund shall confirm the purpose through the electronic invoice service platform. If the purpose confirmed by the pilot taxpayer is wrong, he/she may apply to the competent tax authority for correction.

This announcement will take effect on December 1, 2021.

3. In order to further open up the bond market to the outside world, the Ministry of Finance and the State Administration of Taxation issued the Announcement on The Extension of Policies on Corporate Income Tax and Value-added Tax for Overseas Institutions Investing in the Domestic Bond Market (Announcement No.34 of the Ministry of Finance and the State Administration of Taxation, 2021), with the provisions as follows:

From November 7, 2021 to December 31, 2025, the corporate income tax and value-added tax will be temporarily exempted for bond interest income earned by overseas institutions investing in the domestic bond market.

Note: The of temporarily corporate income tax relief does not cover the bond interest obtained by the establishments or places of business set up by overseas institutions in China and actually connected with the establishments or places of business.





Case of Financial and Taxation Services

Background: A decade-old German-funded company mainly produces precision machinery and equipment with a good momentum of development. However, with the continuous expansion of production, the existing plant couldn't meet the needs of business operation any more, and at the same time, it needed to replace the outmoded machinery and equipment. After investigation, the management of the company plans to relocate to a new industrial park for development. The administration of the new park requires that a new company must be registered to meet certain preferential policy of the park. The company had achieved excellently in business operation and acquired many honorary certificates in the past 10 years which were indeed a valuable goodwill for business development. However, once it is registered in a new company name, such goodwill cannot be inherited, a situation not conducive to the development of the enterprise. The company was caught in a dilemma. Eventually, the management came to Brighture for help through a friend.

Service provided: Our staff visited the company and had a detailed understanding of the development strategy, business operation and assets. Based on the situation of the enterprise and the rich experience of Brighture in equity structure design and asset restructuring, a set of acquisition and merger scheme under the same control was designed for the client to make full use of various preferential policies of the state for merger and reorganization, meet the requirements of entering the industrial park as a new company, and at the same time, inherit the goodwill of the merged company.

Friendly Reminder

Equity structure design and merger and acquisition reorganization are highly professional and complex. However, they are also very effective tools. If properly used, they can not only help enterprises develop, but also reasonably and legally reduce tax costs.

We have vast experience in equity structure planning, merger and reorganization with a large number of practical cases. We can design the most appropriate scheme according to the situation, and become a member of the boss's brain trust.

The Brighture 11th Salon for 2021 was held from 19:00 to 20:00 on November 26, 2021 under the theme of "Matters needing attention in related transactions"

The lecturer of the event was Cherries Ian, Manager of Domestic Department, who has more than 30 years of financial and tax experience, has served Brighture for more than 10 years, and has provided services for many well-known domestic and foreign enterprises with profound theoretical foundation and rich experience.

The lecture covers three aspects, namely, "Introduction and quick identification of association laws and regulations, SAT [2016] No. 42 Document, Key-point analysis of tax-related transaction cases".

(1) Introduction and quick identification of association laws and regulations

There are two types of subjects that are related to companies: companies and natural persons. We should be clear about the related companies and natural persons, and should subdivide them into the following four categories:

- ① Shareholders. Shareholders contained herein do not mean all shareholders, but only a few classes of special important shareholders, namely the parent company, investors who have significant influence on the company, and investors who exert joint control over the company.
- ② Brother business. The term "brother" refers specifically to other companies under the control of the parent company. In other words, to judge whether a company has the second category of related parties, we should first identify the parent company of the company, and then find out whether the parent company also controls other companies. It should be noted that if the parent company of Company A has equity stake in a company (not to the extent of control the company), there is no related party relationship between Company A and this company.
- ③ Investee companies. Mainly includes three types of companies held by the company: subsidiaries, businesses jointly controlled by the company and other companies, and joint ventures in which the company can exert significant influence.
- ④ Related natural persons. The main investors of the company and his or her next-of-kin; Key executives of the company and their next-of-kin.

(2) SAT [2016] No. 42 Document

SAT [2016] No. 42 Document has a profound impact on all Chinese taxpayers, indicating that China's tax administration has entered a new era of comprehensive international integration.

- ① Purpose of SAT [2016] No. 42 Document: To revise SAT [2009] Document "Implementation Measures for Special Tax Adjustment (Trial)".
- ② Contents of SAT [2016] No. 42 Document: It explains how related party tax declaration should be made. There are fourteen categories of items declared as of now. Of these, the fourteenth category, the "national declaration", is particularly important. Preparation should be made when a company meets certain conditions, for instance, when the company is the ultimate holding company of a multinational group, and the total amount of various income in its consolidated financial statement of the last fiscal year exceeds 5.5 billion YUAN, or the company is designated by the multinational group as the company that submits "national declaration".

Data for the same period: A company shall, subject to Article 114 of the Regulations on the Implementation of the Corporate Income Tax Law, prepare for the tax year and, as required by the tax authorities, provide the same-period information of its affiliated transactions. These reports fall into three categories: main documents, special documents, and local documents.

(3) Key-points analysis of tax-related transactions case:

- ① Risks of tax-related transactions of group companies in China:

A: Taking management orders as trading contracts. It is suggested that company groups should pay attention to the management of important documents such as contracts when carrying out domestic related party transactions. Financial

personnel should closely monitor and control the related transactions, accurately understand the time of the incurrence of VAT and corporate income tax, so as to match correctly of the incurrence time of tax liability and transaction time in the absence of contracts.

B: Use tax difference to shift profits. It is suggested that group companies should consider supply chain, consumption preference, labor cost and other market factors when setting up subsidiaries in China. If the parties to the related party transaction have different tax rates or one party loses or one party gains, and the pricing of the related party transaction is not fair, the tax authority will have the right to adjust the income of the company subject to Article 41 of the Corporate Income Tax Law.

C: Abnormal borrowing interests. It is suggested that in the daily tax risk control, the borrower should pay attention to whether the paid interest rate is too high or the interest is charged in excess of proportion, while the lender should focus on whether the interest rate is too low, so as to avoid tax risks caused by the non-existence of the "arms-length" basis in paid financing operation.

② Analysis on tax-related risks of "going global" company related transactions

A: Transfer pricing is in violation of "arms-length" basis. It is suggested that the company determine the transaction price on an "arms-length" basis according to the functions and risks borne by the relevant companies in the related transaction and the reasonable transfer pricing method.

B: The party related to expense payment has no business essence. It is suggested that the company should accurately define the ownership of intangible assets owned by the member companies of the group, and actively enhance the awareness of compliance. In a transaction for licensing intangible assets, the fees shall be determined on an "arms-length" basis according to the nature of the transaction.

C: Non-distribution of overseas aggregated profits for a long time. It is suggested that when companies set up overseas intermediate holding companies, they should fully guarantee the business essence thereof, and on the other hand, strictly abide by the provisions of China's tax law, and make timely and accurate distribution of relevant profits.

D: Being adjudged a permanent establishment by the host country. It is suggested that companies should study relevant policies to ensure that their business arrangements comply with relevant provisions. At the same time, if the host country does not abide by the tax agreement in determining the permanent establishment, companies should safeguard their own legitimate rights and interests by applying for the initiation of mutual consultation procedures to defuse risks.

E: Special tax adjustment is implemented in the host country. It is suggested that companies must understand and be familiar with the transfer pricing rules of the investment country in advance, and formulate related party sales and service pricing strategies on an "arms-length" basis. At the same time, if the host country has an appointment pricing arrangement, companies can make application in advance so as to enhance the certainty and better prevent and control risks.

As a professional service agency, Brighture provides esteemed clients with one-stop services in finance, taxation, law, auditing and business, address their questions, helps them prevent and control risks in an all-round way, and endeavors to be a genuine partner of companies.

The Preview of next Salon

The Brighture 12th Salon for 2021

Theme: Subsidy policies for enterprises in 2022. Measures to prevent fraud and safeguard company funds.

Time: Dec.31, 2021, 19:00-20:00

Recent Events of Kreston

In order to promote the communication and cooperation among Kreston members, Kreston recently held the following activities:

1. Jelle Bakker, of Bentacera in The Netherlands, has written a piece on global tax reform for Accountancy Daily. The article reflects on how new rules might effect SMEs.

The Pillar One rules would allocate more profits to markets with whom the businesses interact, regardless of their physical presence there. This Pillar also aims at developing a new non-physical presence nexus rule not dependent on physical presence but largely based on sales.

Based on the Pillar Two rules, multinational groups with a global annual turnover above €750m should be subject to a minimum effective tax rate of 15% in every jurisdiction where they realise profits.

On the face of it, SMEs will likely not be affected by the Pillar One and Two rules, given the high thresholds set for application. However, in the near future Pillar One and Two could prove to be the thin end of the wedge, with the new Pillar standards ultimately becoming the SME standards both in the EU and the world over.



2. LONDON -- Kreston Global welcomes a new member, Kreston Bahamas, on 7 November.

Kreston Bahamas provides accounting, consulting, auditing and assurance, outsourcing and tax services to national and international organizations. The company is currently owned by Segreen Accounting and Integritas Advisors Ltd. And Next Gen Advisory Group Ltd. in 2021.

3. Kreston has held an Arabic community training via ZOOM on November 24th. The main content of this training is to show how to use the main functions of the Kreston community platform.

4. Expatland Welcomes McGregor Bailey as Group Leader in Auckland E-Team. McGregor Bailey, a chartered accounting firm based in Auckland, has joined Expatland Global Network as one of the group leaders in the Auckland E-Team. McGregor Bailey is a member of Kreston Global, a global network of independent accounting firms headquartered in London.



Ruby Ren

Customer Care Dept.
-15 Years

Motto: There are more solutions than problems.



Yuhou Zhang

Japanese Dept.
-10 Years

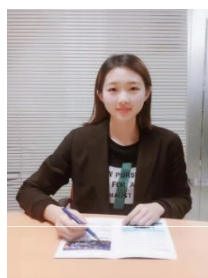
Motto: Remain true to your original aspiration.



Alice Gan

English-Speaking Dept.2
-8 Years

Motto: The harder you work, the luckier, happier and prosperous you become.



Jannie Yin

English-Speaking Dept.1
-5 Years

Motto: Learning without thinking is useless; while thinking without learning, perilous

Brighture was incorporated at the beginning of 2003 and has been committed to provide domestic and foreign enterprises with financial outsourcing, legal, audit and business services. Our mission is to provide clients with high quality tax services and tailored solutions to meet their different needs, while building trust and long-term partnership with them.

In 2015, Brighture became a member of Kreston International, the 13th largest accounting network in the world. We not only provide services for domestic clients, but also provide resource docking and service assistance for other clients from all over the world based on our international vision and local resources.

Scope of services

Financial and taxation services: *Perennial fiscal and tax consultation, fiscal and tax outsourcing, tax planning, export duty rebate, merger and reorganization, transfer pricing, tax training*

Legal services: *Daily legal consultation, legal due diligence, contract review, compliance review, intellectual property protection, labor relations*

Audit services: *internal control audit, financial statement audit, fiscal and tax due diligence, asset evaluation, capital verification*

Business services: *registration of domestic and foreign-funded enterprises, change of registration items, enterprise liquidation and cancellation, personnel outsourcing*

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