

BRIGHTURE NEWSLETTER

No. 298

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BRIGHTURE, 21 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

1. In order to prepare the list of industrial mother-machine enterprises enjoying mark-up tax deduction policy in 2024, The Ministry of Industry and Information Technology (MIIT), the Ministry of Finance and the State Administration of Taxation issued **the Notice on Matters Related to the List of Industrial Mother-Machine Enterprises Enjoying Value-Added Tax Mark-up Deduction in 2024.**(MIITC 【2024】 No. 233), which provides:

(1) The “list” mentioned herein refers to the list of advanced industrial machine hosts, key functional components and numerical control system enterprises that enjoy the VAT mark-up deduction policy set out in Document CAISHUI (2023) 25.

(2) The enterprises applying for inclusion in the list shall **submit the application in the Information Filling System (www.gymjtax.com) before August 31, 2024**, generate paper documents bearing the official seal of the enterprise, and submit the application together with necessary supporting materials (electronic version and paper version) to the competent departments of industry and information technology of all provinces, autonomous regions, municipalities directly under the Central Government, cities with independent planning status and Xinjiang Production and Construction Corps.

(3) After initial review and screening, the local industry and information technology departments shall, based on the conditions of the enterprise (see Article 1, 2 and Annex "Basic standards for Advanced Industrial Machine Products" of Document CAISHUI [2023] No. 25), **submit the list of initial approval to the Ministry of Industry and Information Technology before September 15.**

(4) The Ministry of Industry and Information Technology shall organize third-party institutions for qualification review based on the application information, and the Ministry of Industry and Information Technology, the Ministry of Finance and the State Administration of Taxation shall conduct joint examination and confirm the final list according to the opinions of third-party institutions in consideration of the situation of enterprises in key areas of the industrial mother-machine industry chain.

(5) **Applicants can check the list in the information filling system after October 31 to find out whether they are included. After the list is issued, the enterprise may make provisions in the current period for the mark-up deductions together with the amount that should have been deducted in the previous period. Enterprises included in the 2024 list will enjoy the policy from January 1, 2024;** while enterprises that were included in the 2023 list but not in the 2024 list will cease to enjoy the policy from October 31, 2024.

2. **China has been acceded to the Convention on the Elimination of Certification Requirements for Foreign Official Documents (hereinafter referred to as the Convention), which will come into force on November 7, 2023.** In accordance with the requirements for applying the Convention in China, the General Office of the State Administration for Market Regulation issued Document SHIJIANZHUF A 【2024】 No.9, which provides:

(1) Scope of application:

Subject to the Convention, the notarized documents of the States parties thereto taking to the Mainland of China for use requires only the Apostille of the States parties, while the consular authentication of local Chinese embassies and consulates is not required. The function and validity of the Apostille is equivalent to that of consular authentication. **However, the Convention shall not apply to the exchange of instruments between Mainland of China and Hong Kong SAR, Macao SAR and Taiwan, and the existing practice shall remain unchanged.**

Information on States parties to the Convention, links to websites for verification of Apostille, names of competent authorities, positions of authorized issuers and contact information for verification can be found on the website of China Consular Services.

(2) Adjustment of materials required:

For the documents for the entity qualification or identification documents of natural persons submitted by applicants from States parties to the Convention for the purpose of registration of foreign-invested enterprises, foreign (regional) enterprises engaged in production and business activities in China and the annual report of the representative office of foreign enterprises, the registration authority for foreign-invested enterprises in China will no longer require notarized documents issued by the relevant authorities of the country to which it belongs after being authenticated by the Chinese embassy (consulate) in a foreign country, **but will instead require notarized documents from the relevant authorities of the country to which it belongs and Apostille issued by the local competent authorities.** For applicants of States parties to the Convention who submit materials authenticated by the Chinese consulate in foreign countries, the registration authority of foreign-invested enterprises in China shall, in principle, **accept notarized documents within one year from the date of authentication.**

Background:

Five years ago, Mr. A and Mr. B jointly invested RMB 7 million in the name of their own companies to set up a trading company, with Mr. A's company investing RMB 2.1 million, taking 30%, and Mr. B's company investing RMB 4.9 million, taking 70%. After five years' successful development, the trading company had an undistributed profit of RMB 14 million. Since Mr. A's own company is developing well and he has no time to manage the trading company, he discussed with Mr. B whether he could sell his shares to the latter, who said he could buy Mr. A's shares (30%) for RMB 9 million. They then came to Brighture for advice on the proposed acquisition.

Service provided:

After learning the situation, we had an in-depth communication with Mr. A and Mr. B to fully understand the situation of the trading company. Now that the trading company is no longer a small and low-profit business, instead, it is now subjected to 25% corporate income tax rate. We suggested that the profit should be distributed before the equity acquisition. According to this plan, the client can save RMB 1.05 million in corporate income tax.

Friendly Reminder

Equity investment income such as dividends and bonuses between qualified resident enterprises is exempt income. If profit is not distributed before equity merger and acquisition, the equity premium part is equity transfer income which is taxable.

Tax is an objective existence that cannot be ignored by any enterprise, and professional, reasonable and legal tax planning is essential. In the entire life cycle of an enterprise, it is not uncommon to experience merger, acquisition, and increase or decrease of shareholders, giving rise to tax problems. It is recommended to engage professionals to make corresponding changes after planning.

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

The latest magazine exploring the mid-market outlook in Asia Pacific of Kreston Global, Going Global, is out August 2.

Kreston Global has firms in 22 of the 36 countries in Asia Pacific, covering major economies such as China, Japan, India and Australia. They spoke to their members on the ground about the mid-market outlook to understand more about market motivations, challenges and outlook for the future. Grounded in research carried out by Kreston Global, they explore the results from their global entrepreneur survey with their regional network experts. The results show India and China, both with strong GDP despite challenging headwinds, shared a positive outlook for the future, while Japanese responses were much more cautious.

The magazine includes features on how state-owned enterprises are the key to driving the ESG agenda in China, how India's tech specialists are in the middle of the AI boom and how Australia's tax overhaul should have the attention of multi-nationals doing business there.

Seniority as of Now



Nancy Zhao

Japanese Speaking Dept.
Intermediate Accountant
- 13 Years

Mottos: Practice makes perfect.



Grace Lv

Project Dept.
CPA
- 6 Years

Mottos: Ocean embraces streams to its tide, norms help one go far and wide.

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 Global, 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

We provide domestic and foreign enterprises with financial, tax, legal, audit and business services leveraging our 21 year's experience. It is a prudent decision to cooperate with a time-honored consultant with international vision, local resources, one-stop solutions, a member of Kreston Global which is the 13th largest accounting network in the world.

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