



## STA and SAFE Issue Supplementary Announcement on Related Issues of Tax Filing of Foreign Payment under Items of Trade in Services and Others

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On June 29, 2021, the State Taxation Administration (STA) and the State Administration of Foreign Exchange (SAFE) issued the "Supplementary Announcement on Related Issues of Tax Filing of Foreign Payment under Items of Trade in Services and Others" (STA and SAFE Announcement [2021] No. 19, hereinafter "the Announcement"), to further promote the liberalization and facilitation of trade and investment. The Announcement **took effect on 2 July, 2021.**

### 【Key Takeaways】

- **Tax filing is not required if foreign investor make a domestic reinvestment using the legitimate income obtained from the domestic direct investment.**
- **Multiple foreign payments under the same contract only need to be filed before the first payment.**
- **Online filing process is newly added, and the filer can freely choose online or offline.**

### 1. Background of the Policy

The current foreign payment tax filing system for trade in services dates back to the service trade reform in 2013. At that time, the STA and SAFE issued Announcement No. 40 (STA and SAFE Announcement [2013] No. 40, hereinafter "Announcement No. 40"), which facilitated and simplified the relevant tax-related procedures for companies to handle foreign payment for trade in services, and clarified the specific circumstances and related requirements that the companies need to handle tax filing form.

After issuing Announcement No. 40, the burden of companies handling non-trade-related tax procedures were partially reduced, but the following new issues also arose.

- The filing procedures are repeated when executing multiple payments under the same contract, which leads to the increase of company cost.
- Submitting paper application materials on site also increases the burden on companies.
- Since the announcement of Caishui [2018] No.102, which recommends reinvestment by using profits, some local tax bureaus require companies to handle tax filing before reinvestment, which to a certain extent affects the efficiency of domestic reinvestment of the companies.

Against the background mentioned above, the STA and SAFE responded positively to companies' voices, and announced this announcement after soliciting opinions widely. The tax filing form is optimized again, which not only promotes the liberalization of trade and investment, but also brings convenience to companies.

In recent years, the tax departments and foreign currency management departments have taken a series of measures to enhance convenience. By strengthening the information sharing between authorities, "24 hours," "paperless," "contactless," and "remote reception" in tax filing procedures for items of trade in services and others are realized, multiple optional filing methods like online and offline are provided for filers to choose, filing process is further simplified, the number of filing is reduced, which effectively facilitate the filers.

## 2. Main Points Regarding this Regulation

The relevant facilitation measures of tax filing for foreign payment announced in the Announcement are as follows: ①multiple payments require only one filing; ②expanding the scope of exemption from filing; ③newly establishing online application route; ④meeting the diverse tax processing needs of the filers.

The specific changes are as follows.

<b>[Figure 1] Changes brought about by the Announcement</b>			
<b>No</b>	<b>Item</b>	<b>Before the announcement</b>	<b>After the announcement</b>
1	Multiple foreign payments under the same contract	Tax filing procedures must be performed for each payment. A copy of the contract (agreement) or evidence of the relevant transaction is required only at the time of the first payment filing.	Only need to file before the first payment.
2	Scope of exemption from filing	Article 3 of Announcement No. 40 contains 14 cases, where reinvestment with legitimate income is excluded.	Cancel the tax filing requirement to the case that foreign investors make domestic reinvestments using the legitimate income obtained from the domestic direct investment <b>(newly added)</b> .
3	Way to obtain and fill in the filing form	<ol style="list-style-type: none"> <li>1. Tax service hall of competent tax authority</li> <li>2. Official website of competent tax authority</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Electronic Tax Bureau (newly established)</b></li> <li>2. Official website of tax bureaus of all provinces, autonomous regions, municipalities directly under central government and municipalities with independent planning status</li> <li>3. Tax service hall of competent tax authority</li> </ol>
4	Filing method	Tax service hall on-site filing	<ol style="list-style-type: none"> <li>1. <b>Online filing through the Electronic Tax Bureau (newly established)</b></li> <li>2. Tax service hall on-site filing</li> </ol>

In addition, according to the interpretation combined with the official website, when a company handles the tax filing of foreign payments in a remote location, the filer can access to the Electronic Tax Bureau of the province, autonomous region, municipality directly under central government or municipality with independent planning status where the company is located to process filing issue online at any time. When filling in the “Filing Form”, according to the needs, the filer may select a nationwide foreign payment bank. After completing filing, the filer can carry out foreign payment at the bank based on the “Filing Form” number and confirmation code in accordance with the regulations of foreign exchange management.

## 3. Impact on Companies

- ✓ The tax filing procedure for multiple foreign payment is simplified, which reduces the burdens on companies, and facilitates the foreign payment of companies.
- ✓ The tax filing requirement for a foreign investor to make a domestic reinvestment using the legitimate

income obtained from the domestic direct investment has been eliminated, which improves the efficiency of company reinvestment and further promotes the liberalization of investment.

- ✓ The newly established online filing system provide companies with convenient operation mode of paperless, at the same time, tax filing in a remote location is realized, and foreign payments can be processed at the bank based on the the “Filing Form” number and confirmation code generated by the system, which greatly reduce companies’ time cost.
- ✓ Although the STA simplified the tax filing proceduces, it is recommended to check with banks about foreign payment proceduces prior to the payment, as the specific proceduces for foreign payment by the bank shall still be subject to the rules of each bank.

We will continue to follow up on related information and provide further updates as they come.

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