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Tax

Announcement of the Ministry of Finance and the State Taxation Administration on Improving the Policy of Refunding End-of-Period VAT Credit

Issued by:	Ministry of Finance, State Taxation Administration
Issue No.:	MOF & STA Announcement [2025] No. 7
Issue Date:	August 22, 2025
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Links:	https://fgk.chinatax.gov.cn/zcfgk/c102416/c5242450/content.html

The following key changes have been outlined by comparing the latest end-of-period VAT credit refunding policy with previous versions:

- Taxpayers engaged in manufacturing, scientific research, software, and environmental protection (the "Four Key Industries") may continue to apply monthly for a full refund of their input VAT credit; all other sectors are no longer eligible for full refunds.

- Clarify the VAT credit-refund rules for real-estate development enterprises: If, compared with the VAT credit balance on March 31, 2019, the enterprise records a positive incremental credit balance at the end of each of the six consecutive months preceding the refund application, and the incremental credit balance at the end of the sixth month is no less than RMB 500,000, it may apply for a refund equal to 60% of that sixth-month incremental balance. Real-estate developers that fail to satisfy the above requirements may instead apply under the "other taxpayers" refund criteria set out below.

- A unified refund rule is established for taxpayers other than those in the Four Key Industries and real-estate development enterprises ("other taxpayers"), i.e. other taxpayers are eligible for VAT refund if meeting the following 2 criteria simultaneously:

  - Six consecutive months of positive end-of-period VAT credit prior to the refund application; and
  - The sixth-month VAT credit balance exceeds the prior-year-end VAT credit balance by at least RMB500,000.

  The refund rates are set as follows:

  - 60% on the portion of the incremental credit not exceeding RMB 100million (inclusive);
  - 30% on any portion above RMB 100 million.

- Criteria for identifying taxpayers in the Four Key Industries: A taxpayer is classified as belonging to one of the four industries if the VAT-taxable sales generated from the relevant business activities listed in the *National Economic Industry Classification* account for more than 50 % of its total VAT-taxable sales.

- Criteria for identifying taxpayers as real-estate development enterprises: A taxpayer is deemed a real-estate developer if the VAT-taxable sales and advance receipts generated from "real-estate development and operation" activities listed in the *National Economic Industry Classification* account for more than 50 % of its total VAT-taxable sales and advance receipts.

- If a real-estate development enterprise also operates in one or more of the Four Key Industries and any one of these business lines accounts for more than 50% of its revenue, the taxpayer must file for the refund as a "real-estate development and operation enterprise". Should its input-VAT credit position fail to meet the refund criteria for real-estate developers, it may then apply under the refund rules prescribed for other taxpayers.

- The input-credit composition ratio now also includes electronic air-transport itineraries and electronic rail tickets.

Announcement of the State Taxation Administration on Tax-Collection Matters Concerning the Handling of VAT End-of-Period Credit Refunds

Issued by:	State Taxation Administration
Issue No.:	STA Announcement [2025] No. 20
Issue Date:	August 22, 2025
Effective Date:	September 1, 2025
Links:	https://shanghai.chinatax.gov.cn/zcfw/zcfgk/zzs/202508/t477460.html

To align with the latest end-of-period VAT credit-refund policy, the State Taxation Administration has issued a companion announcement on collection and administration procedures. Key points are as follows:

- The refund must be claimed during the regular filing period of the month immediately following the month in which the taxpayer becomes eligible, and only after the monthly VAT return for that period has been submitted.

- When calculating the input-tax composition ratio used to determine the refundable credit, input tax that has been reversed pursuant to the rules during the relevant period is not required to be subtracted from the input tax already deducted.

- The tax authority must notify the taxpayer of its decision on the submitted VAT credit-refund application within the following time-limits:

  1） For taxpayers rated A or B who have committed no tax-fraud or other offences in the past 36 months: within 10 working days from the date of acceptance.

  2） For taxpayers applying for both export “exemption, credit and refund” and a VAT credit refund: within 10 working days from the date on which the export refund amount is approved.

  3） If, during the processing of a VAT credit-refund application, the tax authority finds that the taxpayer has an open tax audit or unresolved VAT-related risk indicators: the approval shall be suspended, and a decision will be rendered within 5 working days after the risk is subsequently removed.

  4） Where the risk indicators involve grave VAT violations such as fraudulent export-tax refunds or the issuance of fake special VAT invoices: the credit-refund process shall be terminated, and a “Tax Matters Notice” informing the taxpayer of the termination shall be issued within 5 working days from the date the decision is made.

Legal

Measures for the Administration of Development Funds for MNC Regional Headquarters in Shanghai (2025 Edition)

Issued by: Shanghai Municipal Commission of Commerce, Shanghai Municipal Finance Bureau
Issue No.: Hushanggui [2025] No. 3
Release Date: August 27, 2025
Effective date: September 1, 2025
Links: https://www.shanghai.gov.cn/gwk/search/content/e2ba6b0072c14f61af8294fbab6cf05b

The 2025 Edition of the "Measures" has comprehensively restructured the types of financial support. In addition to supporting regional headquarters, business division headquarters, and global R&D centers, it newly includes support for "open innovation platforms." The main revisions are as follows:

- Rental subsidies under the 2024 Edition have been abolished.
- "Establishment subsidies" have been renamed as "early-stage support subsidies." The eligibility criteria remain largely consistent with the "establishment subsidies" under the 2024 edition. Applicants must submit applications for early-stage support subsidies within three years after being recognized as regional headquarters, business division headquarters, or global R&D centers.
- More detailed conditions have been set for high-level rewards, with new requirements including managing at least three overseas enterprises and undertaking at least two functions.
- A one-off upgrade reward of RMB 10 million has been newly introduced for eligible global headquarters of business divisions.
- New rewards are introduced for R&D innovation, treasury management, procurement and distribution functions, and innovation platforms.

Decision of the State Council on Amending the Regulations of the People's Republic of China on the Administration of Entry and Exit of Foreign Nationals

Issued by: State Council of the People's Republic of China
Issue No.: Guoling No. 814
Release Date: August 14, 2025
Effective date: October 1, 2025
Links: https://www.gov.cn/zhengce/content/202508/content_7036507.htm

The Decision amends the Regulations by adding a Category K visa to the types of ordinary visas, which shall be issued to foreign early-career scientific and technological talents entering China. Eligibility will be determined by standards set by the Chinese authorities, and applicants must supply the prescribed supporting documents. Detailed implementing rules for the Category K visa are being formulated and will be released in the near future.

Customs

Notice on the Implementation of Tax Policies for Goods Entering and Leaving Hainan Free Trade Port via the "First Line" and "Second Line" and for Their Movement Within the Island

Issued by:	General Administration of Customs
Issue No.:	Shushuihanzi [2025] No. 81
Issue Date:	August 25, 2025
Effective Date:	December 18, 2025
Links:	http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/6699349/index.html

The Notice is formulated to standardize the customs tax collection and administration on "zero-tariff" goods and their processed products in Hainan Free Trade Port ("HN FTP"). Key provisions are as follows:

- Beneficial entities importing goods not listed in the "Catalogue of Import-Taxed Commodities" from outside China via the "First Line" are exempt from import tariffs, import VAT and consumption tax (collectively "zero-tariff"). When such zero-tariff goods or their processed products are exported back via the First Line and fall under "Catalogue of Import-Taxed Commodities", export duties shall be levied.
- At the time of First-Line import declaration, a beneficial entity may voluntarily pay (i) import tariffs, import VAT and consumption tax, or (ii) only import VAT and consumption tax. Payment of all import taxes is deemed a waiver of zero-tariff treatment; the operator may not apply for zero-tariff importation of the same type of goods for 12 months from the day after full payment.
- Zero-tariff goods and their processed products moving from HN FTP to the rest of China must be declared by the eligible operator, and import tariffs, import VAT and consumption tax on the imported materials shall be paid.
- Zero-tariff goods and their processed products continue to enjoy zero-tariff treatment when transferred between eligible operators inside HN FTP.
- If zero-tariff goods imported via the First Line belong to the four categories subject to restrictive measures, the operator must, when circulating them (or their processed products) within HN FTP, declare and pay the import tariffs, import VAT and consumption tax on the imported materials.
- Zero-tariff imported operational vehicles, vessels, aircraft, yachts, self-use production equipment and spare parts already used for repair shall be placed under customs supervision in accordance with the law. Different categories will be subject to supervision periods ranging from 3 to 8 years. Upon expiry of the supervision period, supervision will be automatically lifted. If such goods are transferred between beneficial entities within HN FTP, the supervision period shall be calculated continuously. All other zero-tariff goods are not subject to a fixed supervision period but remain under customs supervision.
- During the supervision period, any early release from supervision or diversion to other uses triggers an obligation to pay the import tariffs, import VAT and consumption tax that were originally exempted.

Human Resources

Notice on Matters Concerning the Implementation of Employer Social Insurance Subsidies During Maternity Leave and Additional Childbirth Leave for Female Employees in Shanghai

Issued by:	Shanghai Municipal Human Resources and Social Security Bureau, Shanghai Municipal Finance Bureau, Shanghai Municipal Development and Reform Commission, Shanghai Municipal Health Commission, Shanghai Municipal Healthcare Security Bureau
Issue No.:	HurensheGui [2025] No. 14
Release Date:	July 18, 2025
Effective date:	July 18, 2025
Links:	https://rsj.sh.gov.cn/tjypx_17728/20250808/t0035_1434756.html

This policy aims to establish a shared mechanism for maternity costs and reduce corporate labor expenses by subsidizing employers' social insurance contributions for female employees, thereby promoting gender equality in employment. The main provisions are as follows:

- Applicable Entities: Employers in Shanghai, including enterprises, social organizations, law firms, accounting firms, and individually-owned businesses that participate in social insurance as entities.
- Eligibility Criteria: Employers may claim social insurance subsidies if they have implemented maternity leave and additional childbirth leave policies for female employees who give birth on or after January 1, 2025, and have continued to pay social insurance contributions during these leave periods.
- Application Period: Within one year after the end of the female employee’s maternity leave and additional childbirth leave.
- Application Method: "Reimburse after payment" – applications must be submitted to the district human resources and social security bureau where the employer is registered.
- Subsidy Standard: 50% of the employer’s actual contributions for basic pension insurance, basic medical insurance (including maternity insurance), unemployment insurance, and employment injury insurance during the maternity and additional childbirth leave periods. The subsidy covers six months starting from the month of childbirth.
- Special Provisions for Labor Dispatch Units: Social insurance subsidies for dispatched workers shall be applied for by the labor dispatch unit, and then fully allocated to the actual employing unit that provides the positions and bears wage and social insurance costs.
- Implementation Period: Effective from July 18, 2025 to July 17, 2030.

Recent Hot Topics

- Should the offshore limited partners of QFLP be subject to a 25% income tax rate or a 10% income tax rate?

- Pursuant to the Administrative Measures on Beneficial Ownership Information, effective as of November 1, 2024, all companies, partnerships and branches of foreign companies are required to file information on their beneficial owners. Existing entities registered prior to the effective date must complete the filing no later than November 1, 2025. Has your company already completed this filing? What legal consequences might arise if the filing is not completed on time?

- After obtaining its business license, if a company fails to complete tax registration in a timely manner, what adverse consequences may arise for the company and the Legal Representative?

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