

# China Tax Center China Tax & Investment Express

*China Tax & Investment Express (CTIE)\** brings you the latest tax and business announcements on a weekly basis. We selected some comparatively key announcements to provide for a synopsis and we also provide a link that leads you to the full content of each latest announcement (in Chinese). Please feel free to contact your EY client service professionals for further assistance if you find the announcements have an impact on your business operations.

CTIE does not replace our *China Tax & Investment News\** which will continue to be prepared and distributed to provide more in-depth analyses of topical tax and business developments in China.

\*If you wish to access the previous issues of CTIE and *China Tax & Investment News*, please contact us.

## Tax circulars

- ▶ **Notice regarding public opinion consultation on the “Public Notice (PN) issued by the State Taxation Administration (STA) Regarding Certain Matters Related to the Application of Simplified Procedures for Unilateral Advance Pricing Arrangement (APA) (Discussion Draft)”**

### Synopsis

To further alleviate tax administration burden of enterprises engaging in cross-border business operations, the STA announced the “PN issued by the STA Regarding Certain Matters Related to the Application of Simplified Procedures for Unilateral APA (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) on 19 March 2021 on its official website to seek public opinion. The consultation of public opinion shall be opened until 18 April 2021.

According to the Discussion Draft, an enterprise with related party transactions in excess of RMB 40 million for each of the past three years before its APA application meet one of the prescribed requirements (e.g., the enterprise has entered into an APA for the past 10 tax years, and has been in compliance with the APA) shall apply for adopting the simplified procedures for unilateral APA (hereinafter referred to as the “simplified procedures”).

Under the simplified procedures, the general six steps (i.e., pre-filing meeting, intention discussion, analysis and evaluation, formal application, negotiation and conclusion of the arrangement, and execution monitoring) of APA application process as prescribed in STA PN [2016] No. 64 (“PN 64”, i.e., PN on Issues Related to Improving the Administration of APAs) shall be reduced to three steps:



It means that the pre-filing meeting under the general steps shall be removed, and steps of intention discussion, analysis and evaluation, and formal application shall be simplified to one step for evaluation application.

In addition, it is worth noting that the simplified procedures are not applicable to unilateral APAs involving tax authorities of two or more provinces, autonomous regions, municipalities directly under the central government and cities with separate planning for the time being.

It is anticipated that the simplified procedures shall enhance the efficiency of unilateral APA negotiations for qualifying enterprises and thus reduce the administrative costs of both the taxpayers and tax authorities. However, as the simplified procedures are introduced as a supplement to PN 64, it shall not affect the general rules under PN 64.

Concerned taxpayers are encouraged to read the Discussion Draft and express opinions on or before 18 April 2021 by sending mails or logging onto <http://www.chinatax.gov.cn>.

EY Transfer Pricing team has issued a WeChat news article on 24 March 2021 (in Chinese only) regarding the Discussion Draft, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the full contents of the WeChat news article.

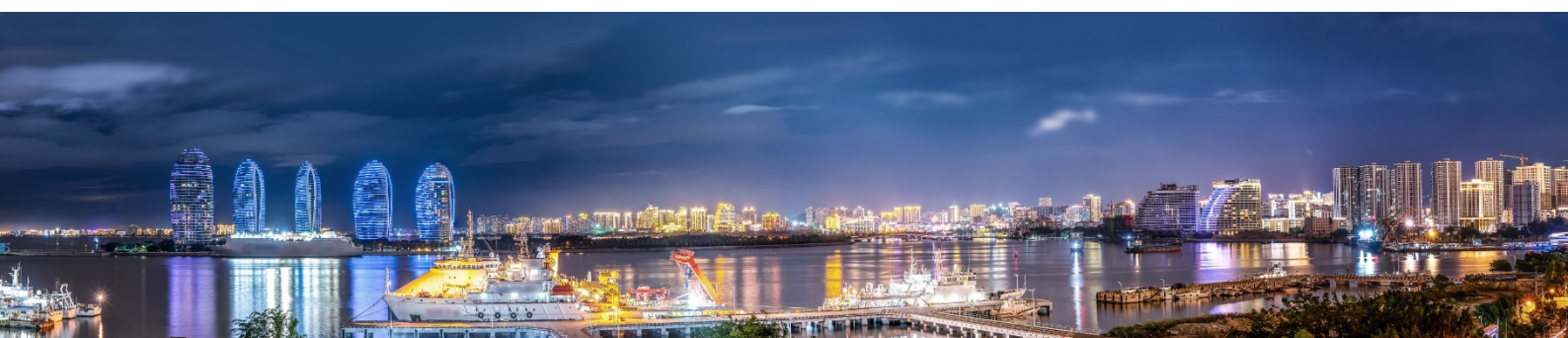
You can click this link to access the full content of the Discussion Draft:  
<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5162455/content.html>

You can click this link to access the full content of PN 64:  
<http://www.chinatax.gov.cn/n810341/n810755/c2292979/content.html>

► **PN regarding extending the implementation period of certain preferential tax policies (MOF/STA PN [2021] No. 6)**

**Synopsis**

On 15 March 2021, the Ministry of Finance (MOF) and STA jointly released MOF/STA PN [2021] No. 6 (“PN 6”) to extend the implementation period of 25 tax circulars which cover tax preferential policies related to Corporate Income Tax (CIT), Value-added Tax (VAT), Individual Income Tax (IIT), Land Appreciation Tax (LAT), Urban Land Usage Tax (ULUT), Real Estate Tax (RET) and Stamp Duty (SD). It aims to continue encouraging the development of small and micro-sized enterprises, technology innovation, etc.



Among these, the following key tax policies extended by PN 6 are worth noting (please click the circular no. to access the full contents of each circular):

Circular no.	Brief introduction of the tax preferential policies
<b><i>Tax policies extended to 31 December 2023</i></b>	
<a href="#">SAT PN [2018] No. 54</a>	CIT deduction for any newly acquired device or equipment (except for real estate or constructions) if the unit value of the device or equipment does not exceed RMB5 million
<a href="#">Caishui [2018] No. 99</a>	175% super deduction on eligible research and development (R&D) expenses actually incurred in R&D activities (the intangible assets may be amortized based on 175% of the actual costs incurred if such R&D expenses incurred are capitalized as intangible assets)
<a href="#">Caishui [2018] No. 91</a>	VAT exemption for interest income derived by financial institutions from small loans to small and micro-sized enterprises and self-employed industrial and commercial households
<a href="#">Caishui [2018] No. 38</a>	"Same Time Levy and Rebate" on any effective VAT cost of more than 3% for sales of animation and comic software independently developed and manufactured by an animation and comic enterprise with the general VAT taxpayer status
<a href="#">MOF/MOFCOM/STA PN [2019] No. 91</a>	Full refund of VAT for purchase of listed domestic equipment by qualifying domestic/foreign invested R&D institutions
<a href="#">Caishui [2019] No. 20</a>	VAT exemption for interest-free loans between entities within the same corporate group; etc.
<b><i>Tax policy extended to the end of the winter heating period in 2023</i></b>	
<a href="#">Caishui [2019] No. 38</a>	VAT, RET and ULUT exemption for certain enterprises providing eligible heating services
<b><i>Tax policies extended to 31 December 2025</i></b>	
<a href="#">Caishui [2014] No. 24</a>	IIT preferential policies for Pingtan
<b><i>Extended with no definite deadlines</i></b>	
<a href="#">Caishui [2016] No. 114, Caishui [2017] No. 22, Caishui [2017] No. 23, Caishui [2019] No. 32, MOF/STA PN [2019] No. 85, and MOF/STA PN [2019] No. 86</a>	CIT deduction rules on provisions made by insurance companies/qualifying financing (credit) guarantee institutions for small and medium-size enterprises/enterprises in securities industry/financial institutions on agriculture-related loans and loans to small and medium-sized enterprises, etc.

It is also worth noting that, according to the State Council's executive meeting on 24 March 2021, the super deduction of R&D expenses for manufacturing enterprises shall be further raised to 200% from 175% (with retroactive effect from 1 January 2021), in order to encourage the innovation of enterprises. Moreover, instead of claiming the total amount of super deduction in the annual CIT filing which is to be completed by the end of May in the next year, enterprises are now allowed to claim the super deduction of R&D expenses incurred in the first half of a year under the provisional filing in October of the current year (i.e., during the third quarter CIT filing or September CIT filing). This will help to further ease the cash flow pressure of enterprises.

Any relevant taxes paid prior to the promulgation of PN 6 can be offset against future tax payable or refunded.

Taxpayers are advised to read PN 6 as well as the relevant extended tax policies in detail. If in doubt, consultations with professionals are always recommended. We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the full content of PN 6:

[http://szs.mof.gov.cn/zhengcefabu/202103/t20210322\\_3674181.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210322_3674181.htm)

You can click this link to access the full content of the official news regarding the executive meeting:

[http://www.gov.cn/premier/2021-03/24/content\\_5595379.htm](http://www.gov.cn/premier/2021-03/24/content_5595379.htm)

► **PN regarding continuously implementing certain preferential tax policies in response to the COVID-19 epidemic (MOF/STA PN [2021] No. 7)**

**Synopsis**

To further support the recovery of taxpayers from the effect of the COVID-19 epidemic, on 17 March 2021, the MOF and STA jointly released MOF/STA PN [2021] No. 7 ("PN 7") to extend certain preferential tax policies in response to the COVID-19 epidemic (please click the circular no. to access the full contents of each circular):

Circular no.	Brief introduction of the tax preferential policies
<b><i>Tax policies extended to 31 December 2021</i></b>	
<a href="#">MOF/STA PN [2020] No. 13</a>	<ul style="list-style-type: none"> <li>▶ All small-scale VAT taxpayers whose taxable income that is statutorily subject to VAT at the collection rate of 3% is reduced to 1%. Accordingly, their taxable income that is statutorily subject to a provisional VAT rate of 3% is also reduced to 1%.</li> <li>▶ For small-scale VAT taxpayers in Hubei, their taxable income derived before 1 April 2021 that is statutorily subject to VAT at the collection rate of 3% is exempt. Accordingly, their taxable income before 1 April 2021 that is statutorily subject to a provisional VAT rate of 3% is also exempt.</li> </ul>
<a href="#">MOF/STA PN [2020] No. 10</a>	<ul style="list-style-type: none"> <li>▶ IIT exemption for eligible allowance/bonus obtained by medical personnel and other epidemic prevention personnel who participate in the epidemic prevention and control</li> <li>▶ IIT exemption for medicines, medical supplies and protective equipment (excluding cash) provided to individuals by entities for the epidemic prevention and control</li> </ul>
<a href="#">MOF/STA PN [2020] No. 25</a> ("PN 25")	<ul style="list-style-type: none"> <li>▶ VAT exemption for film screening service</li> <li>▶ Exemption of construction fee for cultural undertakings</li> </ul>
<b><i>Tax policies extended to 31 March 2021</i></b>	
<a href="#">MOF/STA PN [2020] No. 8</a> ("PN 8")/ <a href="#">MOF/STA PN [2020] No. 9</a>	Various preferential treatments including VAT exemption for Income obtained from transportation of key epidemic prevention-related supplies and necessities, etc.

In addition, it is important to note that PN 7 only extends the provisions with a definite implementation period and to be revoked by 31 December 2020, such as the VAT exemption for film screening service available from 1 January 2020 to 31 December 2020 as prescribed in PN 25. The provisions in PN 25 and PN 8 that provide an extended carryover period of losses incurred in 2020 by enterprises in the film industry and transportation, accommodation, catering and travel industries from 5 years to 8 years shall not be extended by PN 7.

Same as that for PN 6, any relevant taxes paid prior to the promulgation of PN 7 can be offset against future tax payable or refunded.

You can click this link to access the full content of PN 7:

[http://szs.mof.gov.cn/zhengcefabu/202103/t20210323\\_3674436.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210323_3674436.htm)

## ▶ **Opinions on further deepening the reform of tax collection and administration**

### **Synopsis**

In order to advance the reform to delegate power, streamline administration and optimize government services, improve the tax supervision system and better serve the development of market entities, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China jointly released the "Opinions on further deepening the reform of tax collection and administration" (hereinafter referred to as the "Opinions") on 24 March 2021.

### **Primary objective**

Significant progress shall be made in the standardization of tax law enforcement, facilitation of tax services and accuracy of tax supervision by 2022. A new tax enforcement system, a new tax service system, and a new tax supervision system shall be established by 2023. A powerful Intelligent Tax system and a domestic first-class intelligent administrative system shall be established by 2025.

### **Major measures**

#### Comprehensively promote the digital upgrading and intelligent transformation of tax collection and administration

- ▶ Accelerate the construction of Intelligent Tax
- ▶ Steadily implement the reform of electronic invoices
- ▶ Deepen the sharing and application of big data

#### Constantly improve the tax law enforcement system and mechanism

- ▶ Improve the system of tax laws and regulations
- ▶ Strictly regulate tax law enforcement
- ▶ Constantly improve the accuracy of tax law enforcement

#### Actively promote high-quality, efficient and intelligent tax services

- ▶ Ensure the effective implementation of preferential tax policies
- ▶ Effectively reduce the burden of tax and fee payment
- ▶ Comprehensively improve tax payment methods
- ▶ Constantly reduce the frequency and time consumed in tax settlement

#### Effectively implement tax supervision

- ▶ Establish and improve the credit and risk-based regulatory mechanism
- ▶ Strengthen risk prevention, control and supervision in key areas
- ▶ Strictly crack down on tax-related crimes in accordance with the law

#### Constantly deepen and expand tax co-governance

- ▶ Strengthen inter-departmental collaboration
- ▶ Strengthen social collaboration
- ▶ Strengthen the judicial guarantee for taxation
- ▶ Strengthen international tax cooperation

Taxpayers are encouraged to make reference to the Opinions for more details. We have issued a WeChat news article (in Chinese) on 25 March 2021 setting out extensive discussion on the Opinions. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search key words to access its full contents.

You can click this link to access the full content of the Opinions:  
[http://www.gov.cn/zhengce/2021-03/24/content\\_5595384.htm](http://www.gov.cn/zhengce/2021-03/24/content_5595384.htm)

## Business circulars

### ▶ **Opinions on the work division for implementing the key tasks of the “Report on the Work of the Government” (Guofa [2021] No. 6)**

#### **Synopsis**

On 19 March 2021, the State Council issued Guofa [2021] No. 6 (hereinafter referred to as “Circular 6”) to put forward relevant opinions on the work division for implementing the key tasks of the “Report on the Work of the Government”.

Key features of the work division concerning the fiscal and tax policies mentioned in Circular 6 are as follows:

- ▶ Continue to implement the institutional tax reduction policies and extend the implementation period of certain temporary VAT preferential policies for small-scale VAT taxpayers. (The MOF and STA shall lead the work and introduce relevant policies before the end of April 2021.)
- ▶ Raise the current VAT exemption cap of monthly sales of small-scale VAT taxpayers from RMB100,000 to RMB150,000. (The MOF and STA shall lead the work and introduce relevant policies before the end of April 2021.)
- ▶ A 50% income tax reduction shall be applied to the first one million yuan of annual taxable income derived by small and micro-sized enterprises and self-employed industrial and commercial households. (The MOF and STA shall lead the work and introduce relevant policies before the end of April 2021.)
- ▶ Continue to reduce unemployment and work-related injury insurance rates and expand the scope of the temporary stabilization policies such as unemployment insurance refund. (The Ministry of Human Resources and Social Security (MHRSS), National Development and Reform Commission (NDRC) and MOF shall lead and advance the work during the year of 2021.)
- ▶ Simplify the procedures and formalities for enjoying preferential tax and fee policies. (The MOF and STA shall lead and advance the work within 2021.)
- ▶ Continue to implement the policy of 175% super deduction on eligible R&D expenses and raise the super deduction on eligible R&D expenses of manufacturing enterprises to 200% so as to stimulate the increase of enterprises’ investment in R&D and thus promote innovative development. (The MOF, STA and Ministry of Science and Technology (MOST) shall lead the work and introduce relevant policies before the end of April 2021.)
- ▶ Fully refund the incremental input VAT credits brought forward from the previous periods for taxpayers engaging in the advanced manufacturing industry on a monthly basis. (The MOF and STA shall lead the work and introduce relevant policies before the end of June 2021.)
- ▶ Expand the scope of the “Environmental Protection and Energy and Water Conservation Projects Qualifying for CIT Preferential Treatment Catalog”. (The NDRC, Ministry of Ecology and Environment (MEE), MOF, Ministry of Natural Resources (MNR), and STA shall lead and advance the work within 2021.)
- ▶ Optimize and adjust import-level tax policies and increase imports of high-quality products and services. (The MOF, NDRC, Ministry of Commerce (MOFCOM), General Administration of Customs (GAC) and STA shall lead the work and introduce relevant policies before the end of April 2021.)
- ▶ Further reduce the negative list of foreign investment access. (The NDRC and MOFCOM shall lead the work and complete before the end of October 2021.)
- ▶ Promote the construction of Hainan Free Trade Port and enhance the reform, opening-up and innovation of pilot free trade zones. (The NDRC, MOFCOM, MOST, GAC and People’s Government of Hainan Province shall lead the work and complete before the end of August 2021.)

- ▶ Promote fair competition between domestic and foreign investment enterprises and protect the legitimate rights and interests of foreign investment enterprises in accordance with the law. (The NDRC and MOFCOM shall lead and advance the work within 2021.)

The abovementioned government authorities are expected to introduce corresponding circulars soon to further implement the measures mentioned in Circular 6. We will keep an eye on any further developments in this regard, please stay tuned.

You can click this link to access the full content of Circular 6:

[http://www.gov.cn/zhengce/content/2021-03/25/content\\_5595644.htm](http://www.gov.cn/zhengce/content/2021-03/25/content_5595644.htm)

## ▶ **Notice regarding optimizing the handling of the “Confirmation Letter for Encouraged Domestic and Foreign-invested Projects” (Fagaiwaizi [2021] No. 368)**

### **Synopsis**

To implement the law on foreign investment, on 16 March 2021, the NDRC released Fagaiwaizi [2021] No. 368 (“Circular 368”) to clarify issues related to optimizing the handling of the “Confirmation Letter for Encouraged Domestic and Foreign-invested Projects”(hereinafter referred to as the “project confirmation letter”).

The key features of Circular 368 are as follows:

- ▶ The handling authority for project confirmation letter of encouraged foreign investment with total investment amount of USD30 million or above and below USD300 million shall be delegated to the provincial development and reform department.
- ▶ A project entity may directly apply for the project confirmation letter with the provincial development and reform department and provide relevant application materials.
- ▶ Provincial development and reform department shall issue project confirmation letter and stamp on the list of import equipment to qualifying projects within 7 days from the date that relevant application materials are made complete. Where the project fails to meet relevant requirements, the project entity will be informed by the provincial development and reform department.
- ▶ The project entity shall complete the formalities for tax deduction/exemption with Customs by providing the project confirmation letter, list of import equipment and relevant documents issued by the provincial development and reform department.
- ▶ The project confirmation letter for encouraged foreign investment with total investment amount below USD30 million shall be passed back by provincial development and reform department to the NDRC according to the requirement as prescribed in Circular 368 without further record filing procedure.

Circular 368 also clarified other matters related to the handling of project confirmation letter, including the change of main issues for confirmed projects, requirements on information reporting, online platform optimization, etc. Concerned parties are encouraged to read Circular 368 for more details.

You can click this link to access the full content of Circular 368:

[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202103/t20210322\\_1269960.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202103/t20210322_1269960.html)

## **Other tax and business-related circulars publicly announced by central government authorities in the past week:**

- ▶ **PN regarding continuously implementing the VAT policy for border-sale tea (MOF/STA PN [2021] No. 4)**  
[http://szs.mof.gov.cn/zhengcefabu/202103/t20210323\\_3674642.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210323_3674642.htm)

- ▶ **PN regarding granting zero-tariff treatment to 97% of taxable goods originated from the Republic of Benin (CTC PN [2021] No. 3)**  
[http://gss.mof.gov.cn/gzdt/zhengcefabu/202103/t20210325\\_3675769.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202103/t20210325_3675769.htm)
  
- ▶ **Notice regarding the 2020 annual report of accounting firms (Caibankuai [2021] No. 4)**  
[http://kjs.mof.gov.cn/gongzuotongzhi/202103/t20210318\\_3672176.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202103/t20210318_3672176.htm)
  
- ▶ **Administrative Measures for the Information Disclosure of Listed Companies (CSRC Order [2021] No. 182)**  
[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202103/t20210319\\_394491.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202103/t20210319_394491.htm)
  
- ▶ **Decisions on revising the "Implementation Rules of the Administrative Regulations on Foreign-invested Insurance Companies" (CBIRC Order [2021] No. 2)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=971698>
  
- ▶ **Decisions on revising the "Administrative Regulations on the Equity of Securities Companies" (CSRC Order [2021] No. 183)**  
[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202103/t20210319\\_394512.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202103/t20210319_394512.htm)
  
- ▶ **Measures on supporting the development of Taiwan-invested enterprises in agriculture and forestry in Mainland China**  
[http://www.gov.cn/xinwen/2021-03/17/content\\_5593436.htm](http://www.gov.cn/xinwen/2021-03/17/content_5593436.htm)
  
- ▶ **Notice regarding expanding the pilot program of cross-border e-commerce retail imports and strictly implementing supervision requirements (Shangcaifa [2021] No. 39)**  
<http://www.mofcom.gov.cn/article/b/fwzl/202103/20210303046247.shtml>
  
- ▶ **Notice regarding implementing the special plan for patent transformation in support of the innovative development of small and medium-sized enterprises (Caibanjian [2021] No. 23)**  
[https://www.cnipa.gov.cn/art/2021/3/22/art\\_75\\_157912.html](https://www.cnipa.gov.cn/art/2021/3/22/art_75_157912.html)
  
- ▶ **Notice regarding adjusting the subsidy standard of the funds for the disposal of waste electrical and electronic products (Caishui [2021] No. 10)**  
[http://szs.mof.gov.cn/zhengcefabu/202103/t20210323\\_3674634.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210323_3674634.htm)
  
- ▶ **Opinions on accelerating the high-quality development of manufacturing services industry (Fagaichanye [2021] No. 372)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202103/t20210323\\_1270129.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202103/t20210323_1270129.html)
  
- ▶ **PN regarding certain policies on cancelling port construction fees and adjusting civil aviation development fund (MOF PN [2021] No. 8)**  
[http://szs.mof.gov.cn/zhengcefabu/202103/t20210324\\_3675391.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210324_3675391.htm)
  
- ▶ **PN regarding continuously exempting registration fees for anti-epidemic drugs and medical devices (MOF/NDRC PN [2021] No. 9)**  
[http://szs.mof.gov.cn/zhengcefabu/202103/t20210324\\_3675387.htm](http://szs.mof.gov.cn/zhengcefabu/202103/t20210324_3675387.htm)
  
- ▶ **Notice regarding the "Guidelines for the Self-assessment of Money Laundering and Terrorism Financing Risks of Financial Institutions with Legal Entity Status" (Yinfanxifa [2021] No. 1)**  
<http://www.pbc.gov.cn/fanxiqianju/resource/cms/2021/01/2021012818243827479.pdf>





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APAC no. 03012157  
ED None.

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