

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.

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Tax circulars

- ▶ **Public notice (PN) regarding extending the second set of exclusions to the goods originating from the United States that are imposed with the first round of additional tariffs (Customs Tariff Commission PN [2020] No. 10)**

Synopsis

According to Customs Tariff Commission PN [2019] No. 8 ("PN 8", i.e., PN regarding the second set of exclusions to the goods originating from the United States that are imposed with the first round of additional tariffs), the second set of exclusion list of the goods originating from the United States that are imposed with the first round of additional tariffs expired on 25 December 2020. On the same day, the Customs Tariff Commission of the State Council released Customs Tariff Commission PN [2020] No. 10 ("PN 10", i.e., PN regarding extending the second set of exclusions to the goods originating from the United States that are imposed with the first round of additional tariffs) to extend the exclusion period by one year, that is, the abovementioned goods will not be imposed with additional tariffs against the US Section 301 on or before 25 December 2021.

Please see the attachment of PN 10 for details of the exclusion list. Taxpayers engaging in foreign trade and related business are advised to read PN 10 for details and keep an eye on any further news regarding this.

You can click this link to access the full content of PN 10:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202012/t20201225_3637035.htm

You can click this link to access the full content of PN 8:

http://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/201912/t20191219_3444518.htm

▶ **Notice regarding the zero-tariff policies for means of transport and yachts in Hainan Free Trade Port (Caiguanshui [2020] No. 54)**

Synopsis

To fully implement the Overall Plan for the Construction of Hainan Free Trade Port (FTP), on 29 December 2020, the Ministry of Finance, State Taxation Administration (STA) and General Administration of Customs (GAC) jointly released Caiguanshui [2020] No. 54 ("Circular 54") to clarify the zero-tariff policies for means of transport and yachts in Hainan FTP.

Key features of Circular 54 are as follows:

- ▶ Where enterprises engaged in transportation or tourism and registered in Hainan FTP with independent legal entity status, the imports of ships, aircraft, vehicle and other means of transport and yachts for transportation or tourism shall be exempted from import level Custom Duty, Value-added Tax (VAT) and Consumption Tax (CT) by 2025.
- ▶ Where enterprises need to transfer the means of transport and yachts due to certain reasons (e.g., bankruptcy) to entities that are not applicable to the zero-tariff policies, the relevant import level taxes shall be repaid. The transfer of zero-tariff means of transport and yachts shall be subject to domestic VAT and CT.
- ▶ For enterprises importing the means of transport and yachts that are in the list and paying the import level VAT and CT on a voluntary basis, they shall make corresponding application when completing the customs declaration.

Circular 54 also stipulated the regulations on the registration, supervision, list management, etc. for the means of transport and yachts that are subject to zero-tariff policies. Circular 54 became effective on its promulgation date, i.e., 29 December 2020. Taxpayers are encouraged to read Circular 54 for more details. If in doubt, consultation with professionals are always recommended.

You can click this link to access the full content of Circular 54:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202012/t20201229_3637932.htm

Business circulars

▶ **Catalogues of Encouraged Industries for Foreign Investments (2020 Version) (NDRC/MOFCOM Order [2020] No. 38)**

Synopsis

On 27 December 2020, the National Development and Reform Commission (NDRC) and Ministry of Commerce (MOFCOM) jointly released the Catalogues of Encouraged Industries for Foreign Investments (2020 Version) (hereinafter referred to as the "2020 Catalogues") via NDRC/MOFCOM Order [2020] No. 38, aiming to actively respond to the complex changes in the external environment and continue to expand the opening-up and attract foreign investments.

Compared to the Catalogues of Encouraged Industries for Foreign Investments (2019 Version) (hereinafter referred to as the "2019 Catalogues") which were released in 2019, 127 items are newly added and 88 items are revised in the 2020 Catalogues. The scope of encouraged industries for foreign investments are further expanded. Items related to manufacturing, production related service sectors and central and western regions are substantially increased.

Key changes in the 2020 Catalogues include:

- ▶ Further promote the active role of foreign capital in the industrial supply chains.
- ▶ Further encourage foreign investments in production related service sectors, including research and development and design, business services, modern logistics and information services.
- ▶ Further encourage foreign investments in the central and western regions.

It is also worth-noting that foreign investment enterprises or projects under the Catalogues of Encouraged Industries for Foreign Investments may enjoy some preferential policies, including:

- ▶ Exempt tariffs for imports of qualifying self-use equipment within the total amount of investment.
- ▶ Reduce Corporate Income Tax (CIT) rate to 15% for eligible foreign investment enterprises that engage in encouraged industries in western regions and in Hainan Province.

The 2020 Catalogues shall take effect on 27 January 2021 and the 2019 Catalogues shall become abolished at the same time. If in doubt, consultations with professionals are always recommended. We have issued a WeChat news article (in Chinese) to discuss the 2020 Catalogue in greater detail on 31 December 2020. 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 2020 Catalogues:

<http://wzs.mofcom.gov.cn/article/n/202012/20201203026619.shtml>

You can click this link to access the full content of the 2019 Catalogues:

<http://www.mofcom.gov.cn/article/b/f/201906/20190602877005.shtml>

▶ **Scope of foreign investments subject to special access control (Negative List) for Hainan FTP (NDRC/MOFCOM Order [2020] No. 39)**

Synopsis

On 31 December 2020, the NDRC and MOFCOM jointly launched the scope of foreign investments subject to special access control (Negative List) for Hainan FTP (hereinafter referred to as the "Hainan Negative List for foreign investments") via NDRC/MOFCOM Order [2020] No. 39. The Hainan Negative List for foreign investments shall become effective on 1 February 2021.

The Hainan Negative List for foreign investments includes 27 items from 11 sectors, which is clearly shortened and more relaxed comparing to the 33 items from 12 sectors covered in the prevailing National Negative List for foreign investments (i.e., the 2020 Special Administrative Measures on Foreign Investment Access (Negative List) launched via NDRC/MOFCOM Order [2020] No. 32) as well as the 30 items from 12 sectors covered in the prevailing Pilot Free Trade Zones' Negative List for Foreign Investments (i.e., the 2020 Special Administrative Measures on Foreign Investment Access to Pilot Free Trade Zones launched via NDRC/MOFCOM Order [2020] No. 33).

Key features of Hainan Negative List for foreign investments include:

- ▶ Further promote the openness of value-added telecommunication and education sectors, e.g., remove the limitation of foreign investment ratio in online data processing and trading business; allow top level overseas universities in technology, agriculture and medical as well as vocational schools to establish wholly foreign owned education institutions in Hainan.
- ▶ Expand the openness of commercial services, e.g., allow foreign investments in certain commercial and non-litigation legal services in Hainan.
- ▶ Relax entry to manufacturing and mining sectors, e.g., remove the limitation on foreign investments in exploration, mining and concentration of rare earth, radioactive minerals and tungsten.

For items not listed in the Hainan Negative List for foreign investments, the market entry measures shall be applied equally to both domestic and foreign investors.

Foreign investors are encouraged to observe the Hainan Negative List for foreign investments and the relevant preferential policies to explore their business opportunities and benefits to invest in Hainan. Please feel free to reach out to our team if you have any questions.

You can click this link to access the full content of the Hainan Negative List for foreign investments:
http://www.gov.cn/zhengce/zhengceku/2021-01/01/content_5576049.htm

You can click this link to access the full content of the National Negative List for foreign investments:
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/t20200624_1231938.html

You can click this link to access the full content of the Pilot Free Trade Zones' Negative List:
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/t20200624_1231939.html

Customs circular

▶ **PN regarding the "Criteria of Certified Enterprises of Customs Administration" (GAC PN [2020] No. 137)**

Synopsis

On 30 December 2020, the GAC released GAC PN [2020] No. 137 ("PN 137") to announce the criteria for Customs Certification Enterprises in Customs Administration for water transport and logistics enterprises, air transport and logistic enterprises and road transport and logistics enterprises.

PN 137 shall become effective on 1 March 2021 and the abovementioned enterprises shall be recategorized according to PN 137 by the supervising customs from 1 September 2021. Relevant enterprises are encouraged to read PN 137 for details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 137:
<http://www.customs.gov.cn/customs/302249/2480148/3493308/index.html>

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

▶ **PN regarding the "Measures for Use of Invoices for Motor Vehicle Sales" (STA/MIIT/MCA PN [2020] No. 23)**

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5160368/content.html>

▶ **Notice regarding the list of national public service demonstration platforms for small and medium-sized enterprises eligible for import-level tax exemption policies for supporting scientific and technological innovation (2018 and 2020 batches of re-accessed and qualified ones) (Gongxintinglianqiyehan [2020] No. 296)**

http://www.gov.cn/zhengce/zhengceku/2020-12/29/content_5574692.htm

▶ **Notice regarding several catalogs of vehicles eligible for preferential treatments including the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (22th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (38th Batch)", etc. (MIIT PN [2020] No. 54)**

https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2020/art_e5f2f9771fae43ab8d7a7cac71824f2d.html

▶ **Guiding opinions on accelerating the construction of a national collaborative innovation system for the integrated big data centers (Fagaigaoji [2020] No. 1922)**

https://www.ndrc.gov.cn/xxgk/zcfb/tz//202012/t20201228_1260496.html

- ▶ **Notice regarding the pilot launch of insurance compensation mechanism for the application of the 2020 first batch of key new materials (Gongxintinglianyuanhan [2020] No. 297)**
http://www.gov.cn/zhengce/zhengceku/2020-12/27/content_5573784.htm
- ▶ **Notice regarding the list of the 2020 twenty-seventh batch of newly recognized and all the national enterprise technical centers (Fagaigaoji [2020] No. 1918)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz//202012/t20201228_1260481.html
- ▶ **Decisions on the establishment of the Intellectual Property Court in Hainan FTP**
<http://www.npc.gov.cn/npc/c30834/202012/d092af7776574497804c486cc44611e2.shtml>
- ▶ **Administrative measures on government procurement for promoting the development of small and medium-sized enterprises (Caiku [2020] No. 46)**
http://gks.mof.gov.cn/quizhangzhidu/202012/t20201228_3637419.htm
- ▶ **Administrative measures for information disclosures for credit-based bonds issued by companies (PBOC/NDRC/CSRC PN [2020] No. 22)**
http://www.gov.cn/zhengce/zhengceku/2020-12/28/content_5574357.htm
- ▶ **Notice regarding certain matters related to the development of independent individual insurance agents (Yinbaojianbanfa [2020] No. 118)**
<http://www.cbirc.gov.cn/cn/view/pages/governmentDetail.html?docId=953491&itemId=861&generaltype=1>
- ▶ **Decisions on implementing unified registration of moveable property and warranty of title (Guofa [2020] No. 18)**
http://www.gov.cn/zhengce/content/2020-12/29/content_5574773.htm
- ▶ **Regulations on Government Supervision (State Council Order [2020] No. 733)**
http://www.gov.cn/zhengce/content/2020-12/29/content_5574770.htm
- ▶ **Catalogue of major technology and equipment for environmental protection encouraged by the State (2020 Version) (MIIT/MOST/MEE PN [2020] No. 52)**
http://www.gov.cn/zhengce/zhengceku/2020-12/29/content_5574686.htm
- ▶ **Notice regarding improving the administration of bond dealers in the inter-bank bond market (PBOC PN [2020] No. 21)**
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4153344/index.html>
- ▶ **Notice regarding the "Measures for the Assessment of Systemically Important Banks" (Yinfa [2020] No. 289)**
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4138150/index.html>
- ▶ **Notice regarding the list of issuers of the 2021 import & export permit (MOFCOM PN [2020] No. 69)**
<http://www.mofcom.gov.cn/article/b/c/202012/20201203026905.shtml>
- ▶ **Notice regarding matters related to the application for import & export permit for dual-use goods and technologies and paper-less customs clearance (MOFCOM PN [2020] No. 66)**
<http://www.mofcom.gov.cn/article/b/c/202012/20201203027266.shtml>
- ▶ **Notice regarding the "Plan for the Culture and Tourism Development in the Guangdong-Hong Kong-Macao Greater Bay Area" (Wenlvqangaotaifa [2020] No. 98)**
http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_305523.html
- ▶ **PN regarding implementing the 2021 tariff adjustment plan (GAC PN [2020] No. 135)**
<http://www.customs.gov.cn/customs/302249/2480148/3490361/index.html>
- ▶ **PN regarding clarifying matters related to the supervision and administration of small vessels between Hongkong and Macao (GAC PN [2020] No. 139)**
<http://www.customs.gov.cn/customs/302249/2480148/3493572/index.html>
- ▶ **PN regarding certain matters related to the declaration of COVID-19 detection kits and supplies for epidemic prevention and control (GAC PN [2020] No. 138)**
<http://www.customs.gov.cn/customs/302249/2480148/3493424/index.html>

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