

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

- ▶ Notice regarding continuously implementing preferential Corporate Income Tax (CIT) policies in the Fujian Pingtan Comprehensive Experimental Zone (Pingtan) (Caishui [2021] No. 29)

Synopsis

Recently, Caishui [2021] No. 29 ("Circular 29", i.e., Notice regarding continuously implementing preferential CIT policies in Pingtan) was announced via the official website of Pingtan Management Committee.



Key features of Circular 29 are as follows:

Preferential CIT policy	Qualifying taxpayers	Remarks
<p>Qualifying enterprises established in Pingtan (i.e., areas covered in the Overall Development Plans for Pingtan approved by the State Council in November 2011) engaging in encouraged industries are subject to a reduced CIT rate of 15%.</p>	<p>Qualifying enterprises should meet both of the following criteria:</p> <ul style="list-style-type: none"> Engaging in encouraged industries as prescribed in the Catalog for preferential CIT policies in Pingtan, i.e., attachment of Circular 30 (hereinafter referred to as the "Pingtan Catalog"); and Their core businesses derived from the encouraged industries account for more than 60% of their total income. <p>However, even both the above-mentioned criteria are met, the reduced CIT rate of 15% only applies to:</p> <ul style="list-style-type: none"> Income allocated to the head office and its branch(es) located in Pingtan; or Income allocated to the branch(es) located in Pingtan if the head office is outside of Pingtan. <p>The allocation of income between the head office and its branches with cross-region operations shall be according to the prevailing CIT policies.</p>	<ul style="list-style-type: none"> The minimum ratio of core businesses has been reduced from 70% to 60% which is the same with those of the prevailing preferential tax rules for various locations, e.g., Hainan Free Trade Port (FTP) as well as Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai). The rule for the application of preferential CIT treatment for establishments inside/outside Pingtan is also similar to the one for Hainan FTP and Qianhai.

Meanwhile, the Pingtan Catalog is further expanded to cover 146 items of the following six sectors:

- High-tech (electronic information, equipment manufacturing, etc.)
- Services (modern logistics, commercial services, etc.)
- Agriculture and marine
- Ecology and Environmental Protection
- Public facility management
- Tourism

It is worth noting that the operation of cloud data center, cloud computing, internet of things, etc. are newly added to the Pingtan Catalog to encourage the development of emerging industries. Apart from this, the Pingtan Catalog also includes two unique items, i.e., multi-modal transport to Taiwan (对台多式联运业务), and the construction and operation of logistic hubs to Taiwan (对台物流枢纽建设与运营).

Where tax authorities have difficulties in determining whether the core businesses of enterprises meet the requirements as prescribed in the Pingtan Catalog, they can seek opinions from Fujian provincial people's government or the authorized subordinates.

Circular 29 is valid from 1 January 2021 to 31 December 2025.

You can click this link to access the full content of Circular 29:

<http://www.pingtan.gov.cn/ptwzq/ewebeditor/uploadfile/2021/07/08/20210708110920155.pdf>

- ▶ Notice regarding the “Application Guidelines of Shenzhen for Overseas High-end Talents and Talents in Shortage Eligible for Individual Income Tax (IIT) Subsidies”

Synopsis

As prescribed in Caishui [2019] No. 31 (“Circular 31”, i.e., Notice regarding the preferential IIT treatments for the Guangdong-Hong Kong-Macao Greater Bay Area), from 1 January 2019 to 31 December 2023, eligible overseas high-end talents and talents in shortage including Hong Kong, Macau and Taiwanese residents that work in the Greater Bay Area (hereinafter referred to as “eligible talents”) shall be eligible for financial subsidies to cover the difference in their IIT burdens between the Mainland and Hong Kong. The financial subsidies paid to the eligible talents shall be exempt from IIT.

In this regard, the competent government authorities in the nine cities of the Greater Bay Area (e.g., Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, etc.) shall issue the relevant guidelines each year to facilitate the application of the subsidies.

According to the “Application Guidelines of Shenzhen for Overseas High-end Talents and Talents in Shortage Eligible for IIT Subsidies (hereinafter referred to as the “Shenzhen Guidelines”) released by the Shenzhen government authorities on 2 August 2021, the application flow are as follows:

- An applicant who derived salary income in 2020 should access the official website of Guangdong Government Services to lodge the application and submit the relevant documentations from 16 August 2021 to 30 September 2021. The application shall be submitted to the applicant entity (the applicant’s employer) for further review and completion. In turn, the applicant entity reviews the applicants’ application and complete the application by 30 September 2021.
- An applicant who derived remuneration for personal services in 2020 may complete the application online on his/her own.

However, as the scope of qualified income also include author’s remuneration, royalty, income from business operating activities, and subsidy income derived from talent program, etc., eligible talents, who derived those kinds of income in 2020 without salary at the same time should confirm with the authorities whether an applicant entity (e.g., the payor of the author’s remuneration) is required in this regard.

A few cities of the Greater Bay Area, such as Guangzhou, Foshan, Jiangmen, have also issued guidelines in respect of the IIT subsidies application for year 2020. As the application deadline and detailed application flow may be varied, applicants should check the local guidelines where they work and pay taxes to (e.g., they should meet the minimum working day criteria, such as 90 working days for 2020 in Shenzhen as prescribed in the Shenzhen Guideline) to make sure they can submit their applications timely.

Applicants are encouraged to read the local guidelines and evaluate if they are qualified for the subsidies before lodging the applications. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of the Shenzhen Guidelines:

http://www.sz.gov.cn/szzt2010/wgkzl/jcgk/jcygk/zdzcjc/content/mpost_9044747.html

You can click this link to access the full content of Circular 31:

<http://www.chinatax.gov.cn/n810341/n810755/c4148969/content.html>

You can click this link to access the full content of the Guangzhou Guidelines:

http://kjj.gz.gov.cn/xxgk/zwdt/tztg/wjgg/content/post_7350906.html

You can click this link to access the full content of the Foshan Guidelines:

http://fscz.foshan.gov.cn/zxx/tzgg/content/post_4876408.html

You can click this link to access the full content of the Jiangmen Guidelines:

http://www.jiangmen.gov.cn/bmpd/jmsczj/zwgk/tzgg/content/post_2356507.html

- ▶ Decision of the Standing Committee of the Beijing Municipal People's Congress on the applicable Deed Tax (DT) rate and other related issues (15th Standing Committee of Beijing Municipal People's Congress PN [2019] No. 58)

Synopsis

On 30 July 2021, the 15th Standing Committee of the Beijing Municipal People's Congress released PN [2021] No. 58 (hereinafter referred to as "PN 58") regarding the decision on the applicable DT rate in Beijing and other related issues.

Key features of PN 58 are as follows:

- DT rate shall be 3%.
- Where the following conditions as specified in Article 7 of the Deed Tax Law of the People's Republic of China are met, DT shall be exempted:
 - Due to lands or houses being expropriated and requisitioned by people's governments at or above the county level, the ownership of the lands and houses is reacquired, and the transaction price does not exceed the land and house compensation and resettlement subsidies; or
 - A house is lost due to force majeure and the ownership of the house is reacquired.

PN 58 shall become effective on 1 September 2021. In addition, other provinces and municipalities such as Guangdong, Zhejiang, Jiangsu, Hubei, Tianjin, Chongqing, etc. have also recently issued relevant DT implementation measures (see the websites listed as below for more details). There may be local variations, e.g. different DT rates, please therefore read the local rule and stay tuned for other developments.

You can click this link to access the full content of PN 58:

http://www.bjrd.gov.cn/zyfb/zt/bjsswjrdcwhdssechy/hywj/202108/t20210802_2453449.html

You can click the links to access the full content of other local implementation measures related to DT:

Guangdong: http://www.gdrd.cn/xwdt/202108/t20210803_184532.html

Zhejiang: https://www.zjrd.gov.cn/dflf/fggg/202107/t20210730_91799.html

Jiangsu: http://www.jsrd.gov.cn/zyfb/sjfg/202108/t20210813_531495.shtml

Hubei: <http://www.hppc.gov.cn/p/26966.html>

Tianjin: <http://www.tjrd.gov.cn/xwzx/system/2021/07/12/030021923.shtml>

Chongqing: <http://www.cqrd.gov.cn/article?id=311115>

Customs circulars

- ▶ Notice regarding certain matters related to the implementation of the import-level tax policies for supporting the development of science popularization during the 14th Five-Year Plan period (Shuiguanhan [2021] No. 54)
- ▶ Notice regarding certain matters related to the implementation of the import-level tax policies for supporting technology innovation during the 14th Five-Year Plan period (Shuiguanhan [2021] No. 68)

Synopsis

On 4 June 2021, the General Administration of Customs (GAC) released Shuiguanhan [2021] No. 54 (hereinafter referred to as "Circular 54"), clarifying certain matters related to the implementation of the import-level tax policies that were introduced via Caiguanshui [2021] No. 26 ("Circular 26", i.e., Notice regarding import-level tax policies for supporting the development of science popularization during the 14th Five-Year Plan period) for supporting the development of science popularization.

Approval procedure

Import entities that are eligible for tax exemption for importing duty-free goods within the scope specified in Circular 26 shall go through the formalities for review and approval of tax exemption with the competent customs. Where a qualifying import entity is a non-independent legal entity or institution, the entity on which the non-independent legal entity or institution relies shall apply to the competent customs for handling the review and approval of tax exemption.

Change of conditions

In case of any change in the name and business scope of the import entity, the Ministry of Science and Technology or provincial science and technology authorities shall be responsible for verifying whether the entity are still eligible for tax exemption after the change, and inform the customs in writing.

Tax refund declaration

During the period from 1 January 2021 to 30 days after the issuance of the list of the first batch of import entities, import entities may declare refund of taxes paid for the import of self-use copies of science popularization films and television works, tapes, hard disks and other self-use science popularization goods.

Follow-up supervision and administration

Within the term of customs supervision, imported self-use copies of science popularization films and television works, tapes, hard disks and other self-use science popularization goods that are exempt from import-level taxes shall not be transferred, mortgaged, used for other purposes or disposed without the approval of customs.

Additionally, on 6 July 2021, the GAC also released Shuiguanhan [2021] No. 68 ("Circular 68"), clarifying certain matters related to the implementation of the import-level tax policies that were introduced via Caiguanshui [2021] No. 23 ("Circular 23", i.e., Notice regarding the import-level tax policies for supporting technology innovation during the 14th Five-Year Plan period) for supporting technology innovation.

Approval procedure

Import entities that are eligible for tax exemption for importing duty-free goods in the list shall go through the formalities for review and approval of tax exemption with the competent customs. The competent customs shall distinguish the types of import entities and conduct the review according to the corresponding requirements when checking if import entities meet the criteria for tax exemption. The competent customs shall conduct the review according to the types of imported goods and relevant regulations as well.

Change of conditions

In case of any change in the name and business scope of the qualified import entities listed in Circular 23, relevant departments shall be responsible for verifying their eligibility for tax exemption after the change and inform the customs in writing.

Follow-up supervision and administration

Within the term of customs supervision, import entities shall not transfer, mortgage, use for other purposes or dispose the imported duty-free goods without the approval of customs. Where the imported goods are used for scientific research, scientific and technological development and teaching activities of other entities, the import entity shall apply with the competent customs in advance and submit relevant explanatory materials.

Relevant parties are advised to read Circular 54 and Circular 68 for more details and observe the regulations. If in doubt, consultations with professionals are always recommended.

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

<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/3732592/index.html>

You can click this link to access the full content of Circular 68:

<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/3765241/index.html>

You can click this link to access the full content of Circular 26:

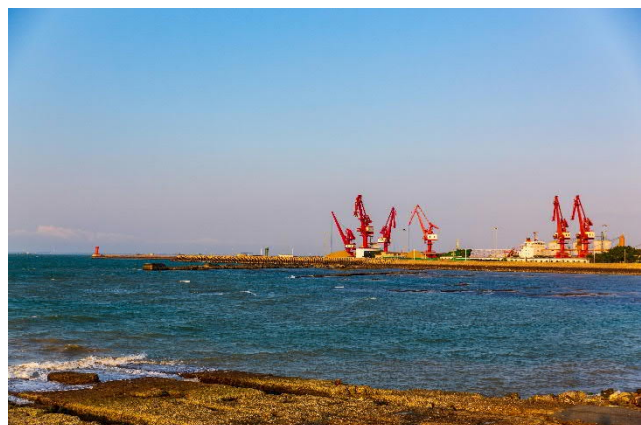
http://www.gov.cn/zhengce/zhengceku/2021-04/26/content_5602747.htm

You can click this link to access the full content of Circular 23:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202104/t20210420_3688785.htm

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

- ▶ Notice regarding the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (29th Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (45th Batch)”, etc. (MIIT PN [2021] No. 20)
http://www.caam.org.cn/chn/1/cate_2/con_5234342.html
- ▶ Measures for the collaborative governance of illegal acts in the patent and trademark agency industries (Guozhiban fayunzi [2021] No. 31)
http://www.cnipa.gov.cn/art/2021/8/5/art_75_166524.html
- ▶ Notice regarding the revisions to the “Regulations on the Solvency Regulatory Rules for Insurance Companies-Q&A No.1: Default Risk Factors of Reinsurance Counterparties in Hongkong during the Transition Period of the Solvency Supervision Equivalence Framework Agreement” (Yinbaojianfa [2021] No. 30)
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1000203>
- ▶ Notice regarding the “List of the Ministry of Natural Resources of Administrative Penalty Items” (Ziranzibanhan [2021] No. 1373)
http://gj.mnr.gov.cn/202108/t20210806_2675586.html
- ▶ Notice regarding the “Special Action Plan for the High-quality Development of the Commercial Logistics (2021-2025)” (Shangliutonghan [2021] No. 397)
<http://www.mofcom.gov.cn/article/h/redht/202108/20210803185463.shtml>
- ▶ Guiding opinions on enhancing the sharing of investment data and continuously deepening online services for investment approval (Fagaitouzi [2021] No. 1119)
https://www.ndrc.gov.cn/xgk/zcfb/tz//202108/t20210810_1293417.html
- ▶ Opinions on establishing the list system of healthcare security benefits (Yibaofa [2021] No. 5)
http://www.nhsa.gov.cn/art/2021/8/10/art_37_5767.html
- ▶ Opinions on enhancing the administration of the market access of intelligent networked vehicle manufacturers and their products (Gongxinbutongzhuang [2021] No. 103)
https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2021/art_bf9a399907d94b8c9ac9f79f2045fe14.html
- ▶ Public notice (PN) regarding matters related to the pilot cancellation of the credit rating requirements for non-financial enterprises’ issuance of debt financing instruments (PBC PN [2021] No. 11)
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4314607/index.html>
- ▶ PN regarding the 2021 random inspections of imported and exported commodities that are not subject to mandatory inspections (GAC PN [2021] No. 60)
<http://www.customs.gov.cn/customs/302249/2480148/3813378/index.html>



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