

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) issued by the Shanghai Municipal Tax Service, State Taxation Administration (STA) regarding the fully digitalized e-invoicing pilot program (Shanghai Municipal Tax Service, STA PN [2021] No. 3)**
- ▶ **PN issued by the Guangdong Provincial Tax Service, STA regarding the fully digitalized e-invoicing pilot program (Guangdong Provincial Tax Service, STA PN [2021] No. 3)**

Synopsis

In March 2021, 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") to provide a blueprint for the construction of smart tax in the context of digitalization.

Accordingly, on 30 November 2021, pilots of the fully digitalized e-invoicing program (hereinafter referred to as the “pilots”) were launched in selected areas (e.g., Shanghai city and Guangdong Province) with selected taxpayers. The pilots shall start from 1 December 2021.

Taking the local pilot policies released by the Shanghai Municipal Tax Service, STA and Guangdong Provincial Tax Service, STA as examples (i.e., PN issued by the Shanghai Municipal Tax Service, STA regarding the fully digitalized e-invoicing pilot program released via Shanghai Municipal Tax Service, STA PN [2021] No. 3 and PN issued by the Guangdong Provincial Tax Service, STA regarding the fully digitalized e-invoicing pilot program released via Guangdong Provincial Tax Service, STA PN [2021] No. 3), the key features of the pilots may include the followings:

- ▶ The initial scope of the pilots shall only include taxpayers selected by the Shanghai Municipal Tax Service, STA/Guangdong Provincial Tax Service, STA. Moving forward, the scope of the pilots shall be extended to all taxpayers in Shanghai/Guangdong.
- ▶ Under the pilots, the fully digitalized e-invoices include special Valued-added Tax (VAT) invoices and normal VAT invoices which serve the same purpose as that of the existing paper invoices.
- ▶ Strengths of fully digitalized e-invoices:

<p>Simplified process for collection of tax invoices</p> <ul style="list-style-type: none"> ▶ A taxpayer no longer needs to pick up a specific tax controlling equipment but can obtain an e-invoice via an automatic assigned invoice number via the E-invoice Service Platform (hereinafter referred to as the “e-invoice platform”) after the relevant information for the invoice generated. ▶ Tax authorities shall assign a cap of the invoicing amount of that can be issued by taxpayers in a month based on their level of risks, creditability, actual business operation status, etc. In this respect, a newly established taxpayer may issue tax invoices once it starts its business operation.
<p>Convenient process for issuing tax invoices</p> <ul style="list-style-type: none"> ▶ The fully digitalized e-invoices can be issued, delivered and examined via the e-invoice platform which is available 24 hours a day and 7 days a week. ▶ Taxpayers shall be able to issue e-invoices via workstation, app of their smartphones at any time once the full functions of the e-invoice platform go live. ▶ The data of fully digitalized e-invoice shall be further integrated and become traceable for multiple taxes and fees purposes. This shall be the foundation of pre-filled integrated tax return. ▶ Fully digitalized e-invoices are to be issued in the form of electronic data but not limited to PDF or OFD, etc. ▶ More interactive functions shall be available on the e-invoice platform, e.g., intelligent consulting services for taxpayers regarding the issuance of tax invoices, etc.
<p>Integration for bookkeeping and documentation archiving</p> <ul style="list-style-type: none"> ▶ Enterprises with sounded accounting system are encouraged to have their financial system (e.g., ERP) upgraded to adapt to the circulation of fully digitalized e-invoices, so that the process of expense reimbursement, bookkeeping and documentation archiving can be completed in one integrated step.

It is worth-noting that, for the time being, pilot taxpayers in Shanghai/Guangzhou that have been having tax control equipment to issue paper invoices may issue the paper invoices within their approved cap for the issuance of paper special VAT invoices and normal VAT invoices respectively. On the other hand, these pilot taxpayers shall have a separate cap of invoice amount (for both special VAT invoices and normal VAT invoice) for the issuance of fully digitalized e-invoices. These caps under the two system shall be integrated upon tax authorities’ further notice.

It is understood that the pilot taxpayers shall be selected by the tax authorities at the local level and no voluntary application shall be accepted. However, according to the Opinions, China aims to achieve the goal of implementing full digital e-invoices to cover all business sectors, transactions and elements by 2025, so it is only a matter of time that the pilots shall be further expanded and eventually be implemented on a national basis. In this respect, taxpayers are encouraged to learn more about the local pilot policies and take the initiative to talk to professionals regarding the impacts of the implementation of fully digitalized e-invoices and if any necessary actions or preparation should be taken.

You can click this link to access the full content of Shanghai Municipal Tax Service, STA PN [2021] No. 3:
<http://shanghai.chinatax.gov.cn/zcfw/zcfgk/swzsgl/202111/t461197.html>

You can click this link to access the full content of the official interpretation on Shanghai Municipal Tax Service, STA PN [2021] No. 3:
<http://shanghai.chinatax.gov.cn/zcfw/zcid/202111/t461196.html>

You can click this link to access the full content of PN issued by the Guangdong Provincial Tax Service, STA regarding the fully digitalized e-invoicing pilot program:
http://guangdong.chinatax.gov.cn/gdsw/ssfgqds/2021-11/30/content_a1e7ef51e91a4c4292748044ccd94ad4.shtml

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

Business circulars

► **Notice regarding further implementing the “Law of the People’s Republic of China (PRC) on Administrative Penalties” (Guofa [2021] No. 26)**

Synopsis

On 15 November 2021, the State Council released Guofa [2021] No. 26 (“Circular 26”) to further implement the “Law of the PRC on Administrative Penalties” (hereinafter referred to as the “Administrative Penalties Law”).

It is worth-noting that Circular 26 calls for the overall implementation on “administrative punishment exemption for first-time violation”. In this spirit, the STA released STA PN [2021] No. 6 (“PN 6”, i.e., PN regarding “List of Illegal Acts Exempt from Tax Administrative Punishment in Case of First-time Violation”). According to PN 6, parties may be exempt from tax administrative punishment for committing a violation for the items in the list announced under PN 6 if certain requirements are met.

On the other hand, the General Administration of Customs (GAC) released GAC Order [2021] No. 250 (“Order 250”, i.e., Order on the “Regulations of the Customs of the PRC on Procedures for Handling Administrative Penalty Cases”) which also stipulated that certain first-time violations or minor violations may be exempt from the administrative punishment from the customs. However, the GAC has not yet released a list to specify the scope of exemption.

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 Circular 26:
http://www.gov.cn/zhengce/content/2021-12/08/content_5659286.htm

You can click this link to access the full content of the Administrative Penalties Law:
<http://www.npc.gov.cn/npc/c30834/202101/08336daf00b84b82b891f39e32326308.shtml>

You can click this link to access the full content of PN 6:
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5162954/content.html>

You can click this link to access the full content of Order 250:
<http://www.customs.gov.cn/customs/302249/2480148/3715256/index.html>

▶ **Notice regarding the implementation plan on deepening the reform of “Separating Permits from Business Licenses” and further stimulating the vitality of market entities**

Synopsis

To deepen the reform of “Separating Permits from Business Licenses” and further stimulate the vitality of market entities, according to the relevant requirements of Guofa [2021] No.7 (“Circular 7”, i.e., Notice issued by the State Council regarding deepening the reform of “Separating Permits from Business Licenses” and further stimulating the vitality of market entities), the Ministry of Natural Resources (MNR) released the “Implementation plan on deepening the reform of ‘Separating Permits from Business Licenses’ and further stimulating the vitality of market entities” (hereinafter referred to as the “Plan”) on 3 December 2021.

Key features of the Plan are as follows:

Overall requirements

According to the requirements of Circular 7, promote the reform of the administrative approval system, e.g., cancellation of approval process, implementation of notification and commitment mechanism, optimization of approval services, etc. to the handling of enterprise business licensing items as stipulated in the “List of Enterprise Business Licensing Items Set by the Central Level (2021 National Version)” (hereinafter referred to as the “List”, see the Annex to the Plan). Strive to establish simple, efficient, fair, transparent, easy-entry and strict-administration access rules, and greatly improve the convenience and predictability of market entities by the end of 2022.

Reduced permits and simplified approval process

▶ Cancellation of approval process

Directly cancel eight enterprise business licensing items nationwide. (see the List for details)

▶ Implementation of notification and commitment mechanism

Implement notification and commitment mechanism for the enterprise business licensing item of “Class B Qualification Recognition of Urban and Rural Planning Entities”.

▶ Optimize approval services

The Plan includes various enterprise business licensing items that shall be subject to simplified approval materials, optimized approval process and reduced processing time, which may reduce the burden on enterprises. (see the List for details)

Interim and post-event supervision

According to the Plan, authorities that hold the approval or record-filing process would generally be the one to continue its role to monitor and control. The Plan further clarifies the supervision responsibilities of relevant authorities, strives to improve monitoring policies and procedures, further strengthen credit supervision, and punish dishonest acts according to law and regulations.

Work requirements

Strengthen organizational leadership and legal guarantee for reform, conduct reform policy training and services, and ensure the full implementation of reform measures.

Relevant parties are advised to read the Plan and its annex for details.

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

http://gi.mnr.gov.cn/202112/t20211207_2709944.html

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

http://www.gov.cn/zhengce/content/2021-06/03/content_5615031.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 (33rd Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (49th Batch)", etc. (MIIT PN [2021] No. 36)**
http://www.caam.org.cn/chn/1/cate_2/con_5235186.html
- ▶ **Notice regarding public opinions consultation on the "Administrative Regulation on Funds Involved in Foreign Institutions' Issuance of Bonds in China's Domestic Market (Discussion Draft)"**
<http://www.safe.gov.cn/safe/2021/1202/20286.html>
- ▶ **Notice regarding the "Guidelines on the Code of Conduct for Transactions in the Foreign Exchange Market" (Huifa [2021] No. 34)**
http://www.gov.cn/zhengce/zhengceku/2021-12/04/content_5655804.htm
- ▶ **Notice regarding the "System for the Statistics of External Financial Assets, Liabilities and Transactions" (Huifa [2021] No. 36)**
<http://www.safe.gov.cn/safe/2021/1203/20291.html>
- ▶ **Guiding opinions on banking and insurance industries supporting the self-reliance of high-level technology (Yinbaojianfa [2021] No. 46)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1021840>
- ▶ **Notice regarding certain matters related to insurance funds participating in securities lending business (Yinbaojianbanfa [2021] No. 121)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1021832>
- ▶ **Guiding opinions on further enhancing the construction of response mechanisms for overseas intellectual property disputes (Guozhifabaozi [2021] No. 33)**
http://www.gov.cn/zhengce/zhengceku/2021-12/04/content_5655845.htm
- ▶ **Notice regarding public opinions consultation on the "Measures for Recognition of Illegal Gains in Administrative Punishment Cases in the Field of Market Supervision (Discussion Draft)"**
http://www.moj.gov.cn/pub/sfbgw/lfyjzj/lflfyjzj/202112/t20211203_443067.html
- ▶ **Notice regarding the "Implementation Plan for Achieving the Goals of Carbon Peak and Carbon Neutrality and Promoting the Green and High-quality Development of New Infrastructure of Data Centers and 5G networks" (Fagaigaoji [2021] No. 1742)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202112/t20211208_1307104.html
- ▶ **PN regarding authorizing competent customs to conduct the examination and approval of the quarantine of certain animals, plants and their products for entry (GAC PN [2021] No. 101)**
<http://www.customs.gov.cn/customs/302249/2480148/4043877/index.html>
- ▶ **PN regarding the revised criteria of origin under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) (GAC PN [2021] No. 102)**
<http://www.customs.gov.cn/customs/302249/2480148/4047018/index.html>



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