

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 issues related to the 2021 annual Individual Income Tax (IIT) filing for consolidated income (STA PN [2022] No. 1)**

Synopsis

To effectively protect the legitimate rights and interests of taxpayers and improve the system for annual IIT filing for consolidated income, on 8 February 2022, the State Taxation Administration (STA) announced STA PN [2022] No. 1 (“PN 1”) regarding issues related to the annual IIT reconciliation for consolidated income derived by resident taxpayers for year 2021 (hereinafter referred to as “annual IIT filing”).



Key features of PN 1 are as follows:

Calculation of IIT payable or refundable in the 2021 annual IIT filing

The consolidated income (i.e., wages and salaries, personal service remuneration, authors' remuneration and royalties) of a resident taxpayer, shall be added up for calculating IIT payable or refundable for year 2021 with a specific formula as below:

IIT payable or refundable for annual IIT filing = [(Consolidated income - RMB60,000 - Special deductions - Specific additional tax deductions - Other deductions stipulated by law and regulations - Qualifying charitable donations) × Applicable tax rate - Quick reckoning deduction] - Tax pre-paid for year 2021

Where a taxpayer derived both consolidated income and operating income in year 2021, the abovementioned deduction of RMB60,000, special deductions, specific additional tax deductions and other deductions stipulated by law and regulations can either be deducted in the IIT calculation for consolidated income or operating income. However, such deductions should not be double claimed.

Resident taxpayers that are required/not necessary to perform the 2021 annual IIT filing

A resident taxpayer that meets one of the following criteria is required to perform the 2021 annual IIT filing	A resident taxpayer that meets one of the following criteria is not necessary to perform the 2021 annual IIT filing provided that his/her provisional IIT filings for year 2021 have been completed as required by law
<ul style="list-style-type: none"> ▶ The resident taxpayer has overpaid IIT for consolidated income for year 2021 and would like to apply for a tax refund. ▶ His/her annual consolidated income exceeds RMB120,000 and has underpaid IIT of more than RMB400 for consolidated income for year 2021. ▶ The taxpayer has underpaid IIT for consolidated income for year 2021 due to the fact that his/her consolidated income was wrongly calculated by classifying the income in the wrong taxable items or the withholding agent failed to withhold IIT as required. 	<ul style="list-style-type: none"> ▶ The resident taxpayer has underpaid IIT for consolidated income but his/her 2021 annual consolidated income does not exceed RMB120,000. ▶ His/her underpaid IIT for consolidated income does not exceed RMB400 for year 2021. ▶ His/her pre-paid IIT amount is consistent with the IIT payable amount for year 2021. ▶ The taxpayer is qualified for a tax refund but chooses not to claim.

Deadline for the annual IIT filing

The annual IIT filing for year 2021 should be completed within the period from 1 March 2022 to 30 June 2022. Resident taxpayers who have no domicile in Mainland China and plan to depart before 1 March 2022 may complete the annual IIT filing before their departure.

It is important for taxpayers to review if they have any outstanding income/expenses that should be reported or claimed for the 2021 annual IIT filing, such as royalty income, charitable donation or deductible educational expenses, etc.

It is also important to note that, where a taxpayer who has additional IIT to be paid in the 2021 annual IIT filing but failed to complete the filing and pay the proper amount of IIT on or before 30 June 2022, he or she shall be subject to surcharges according to the prevailing rules and this late filing/payment shall be recorded in the IIT filing record of the taxpayer.

Taxpayers are recommended to reach out to tax professionals for assistance, especially if this is their first filing for annual reconciliation of IIT.

You can click this link to access the full content of PN 1:

<http://www.chinatax.gov.cn/chinatax/n363/c5172700/content.html>

▶ **PN regarding extending the implementation period of certain preferential tax policies (MOF/STA PN [2022] No. 4)**

Synopsis

On 29 January 2022, the Ministry of Finance (MOF) and STA jointly released MOF/STA PN [2022] No. 4 (“PN 4”) to extend the implementation period of several tax preferential policies to 31 December 2023.

For instance, PN 4 extends the following tax preferential treatments as prescribed in Caishui [2018] No. 120 (“Circular 120”, i.e., Notice regarding tax policies for technology business incubators (TBIs), university science parks and maker spaces):

- ▶ Qualifying national/provincial TBIs, university science parks and national maker spaces (that have completed the record filing procedures for maker spaces as required) are eligible for a Real Estate Tax and Urban Land Use Tax exemption for real estates and lands used by them or rented, provided for free to their incubated targets (i.e., business start-ups).
- ▶ Income derived by the afore-mentioned TBIs, university science parks and national maker spaces from provision of incubation services to their incubated targets shall be exempt from Value-added Tax (VAT), provided that such income is accounted for separately from other types of income.

Any taxes paid prior to the announcement of PN 4 can be refunded or set off against the tax payable of the months following.

Taxpayers are advised to study PN 4, Circular 120, as well as other circulars mentioned in PN 4 in details to leverage the benefit.

You can click this link to access the full content of PN 4:

http://szs.mof.gov.cn/zhengcefabu/202201/t20220130_3786039.htm

You can click this link to access the full content of Circular 120:

<http://www.chinatax.gov.cn/n810341/n810755/c3855604/content.html>

▶ **PN regarding VAT policies for corporate sponsors of the Hangzhou 2022 Asian Games and Asian Paralympic Games (MOF/STA PN [2022] No. 1)**

Synopsis

Further to the previous MOF/STA/GAC PN [2020] No. 18 (“PN 18”, i.e., PN regarding tax policies for the Hangzhou 2022 Asian Games and Asian Paralympic Games), the MOF and STA jointly released MOF/STA PN [2022] No. 1 (“MOF/STA PN 1”) on 20 January 2022 to specify the VAT policies for corporate sponsors of the Hangzhou 2022 Asian Games and Asian Paralympic Games (hereinafter referred to as “Asian Games Hangzhou”).

According to MOF/STA PN 1, free services provided by corporate sponsors (as listed in the attachment of MOF/STA PN 1) to Hangzhou Asian Games Organizing Committee related to the Asian Games Hangzhou are exempt from VAT. However, such free services should be limited to the scope of services concluded in the sponsor contracts between the corporate sponsors and the Hangzhou Asian Games Organizing Committee and such services should be accounted for by the corporate sponsors separately.

MOF/STA PN 1 shall become effective on 9 April 2020, any previously paid VAT that should be exempt according to MOF/STA PN 1 can be used to offset against VAT payable in the following periods. However, in case special VAT invoices were issued, the VAT paid cannot be used to offset VAT payable in the future unless the issued special VAT invoices can be retrieved.

You can click this link to access the full content of MOF/STA PN 1:

http://qingdao.chinatax.gov.cn/ssfg2019/zxwj/202202/t20220215_68578.html

You can click this link to access the full content of PN 18:

http://szs.mof.gov.cn/zhengcefabu/202004/t20200415_3498579.htm

Business circular

► **Approval on the establishment of cross-border e-commerce comprehensive pilot zones in 27 cities and regions (Guohan [2022] No. 8)**

Synopsis

On 22 January 2022, the State Council released Guohan [2022] No. 8 ("Circular 8") to announce the approval on the establishment of cross-border e-commerce comprehensive pilot zones in 27 cities and regions, including Ordos of Inner Mongolia, Yangzhou of Zhejiang, Qingyuan of Guangdong, etc. The detailed implementation measures of the 27 cross-border e-commerce comprehensive pilot zones shall be announced by the local provincial people's government in due course.

By the issuance of Circular 8, 132 cross-border e-commerce comprehensive pilot zones in 30 provinces have been approved to be established. According to the prevailing Caishui [2018] No. 103 ("Circular 103", i.e., Notice regarding the tax policies for export retail goods of cross-border e-commerce pilot zones) and STA PN [2019] No. 36 ("PN 36", i.e., PN regarding levying Corporate Income Tax (CIT) on retail export enterprises in cross-border e-commerce pilot zones on a deemed basis), qualifying e-commerce export enterprise engaging in retail export in the 132 cross-border e-commerce comprehensive pilot zones are eligible to the following tax policies:

- Goods exported by such enterprises without valid vouchers for the purchase of goods may be exempt from VAT and Consumption Tax on a pilot basis if certain criteria are met.
- Such enterprises may choose to be taxed at a deemed rate of 4% for CIT purpose if certain criteria are met.

Relevant businesses are encouraged to refer to the abovementioned circulars as well as the local implementation measures to be released for greater details and leverage the benefits. If in doubt, consultations with professionals are always recommended.

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

http://www.gov.cn/zhengce/content/2022-02/08/content_5672535.htm

You can click this link to access the full content of Circular 103:

<http://www.chinatax.gov.cn/n810341/n810755/c3766983/content.html>

You can click this link to access the full content of PN 36:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5139578/content.html>

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

► **Notice regarding several catalogs for vehicle-related preferential treatments including the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (35th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (51st Batch)", etc. (MIIT PN [2022] No. 4)**

https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_fd7d2f39b2ed48f4bb9c146356bbbcca.html

► **Notice regarding revising certain matters related to the submission of financial reports of financial enterprises (Caijin [2021] No. 120)**

http://jrs.mof.gov.cn/gongzuotongzhi/202201/t20220128_3785701.htm

- ▶ **Notice regarding adjusting the return policy of Civil Aviation Development Fund (Caijian [2021] No. 2)**
http://jjs.mof.gov.cn/tongzhigonggao/202201/t20220130_3786058.htm

- ▶ **Notice regarding the development plan for the pharmaceutical industry during the 14th Five-year Plan period (Gongxinbuliangui [2021] No. 217)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_1bc9be0101bb4c6d902f3e5904780119.html

- ▶ **Notice regarding fully implementing list-based administration on administrative approval items (Guobanfa [2022] No. 2)**
http://www.gov.cn/zhengce/content/2022-01/30/content_5671368.htm

- ▶ **Notice regarding guiding opinions on accelerating the construction of urban environmental infrastructure (Guobanhan [2022] No. 7)**
http://www.gov.cn/zhengce/content/2022-02/09/content_5672710.htm

- ▶ **Notice regarding the “Development Plan of Financial Standardization During the 14th Five-year Plan Period” (Yinfa [2022] No. 18)**
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4467138/2022020818374845311.pdf>

- ▶ **Notice regarding the implementation plan for promoting the comprehensive utilization of industrial resources (Gongxinbulianjie [2022] No. 9)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_fc489238e7134848ab3f14bfe86c283e.html

- ▶ **Opinions on improving the institutional mechanism and policy measures for green and low-carbon transformation of energy (Fagainengyuan [2022] No. 206)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220210_1314511.html?code=&state=123

- ▶ **PN regarding the trigger volumes of two types of agricultural products imported from Australia in 2022 (GAC PN [2022] No. 14)**
<http://www.customs.gov.cn/customs/302249/2480148/4156387/index.html>

- ▶ **PN regarding matters related to the implementation of the “Regional Comprehensive Economic Partnership (RCEP) Agreement” (GAC PN [2022] No. 13)**
<http://www.customs.gov.cn/customs/302249/2480148/4154223/index.html>



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