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*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

- ▶ **Public notice (PN) regarding further raising the super deduction ratio of research and development (R&D) expenses of Technology-based Small and Medium-sized Enterprises (TSMEs) (MOF/STA/MOST PN [2022] No. 16)**

Synopsis

Subsequent to the Report on the Work of the Government (2022), the Ministry of Finance (MOF), State Taxation Administration (STA) and Ministry of Science and Technology (MOST) jointly released MOF/STA/MOST PN [2022] No. 16 ("PN 16") on 23 March 2022 to further raise the super deduction ratio of R&D expenses of TSMEs to support scientific innovation.

According to PN 16, from 1 January 2022, qualified TSMEs can claim a super deduction of 200% on eligible R&D expenses actually incurred in R&D activities. Alternatively, if R&D expenses incurred are capitalized as intangible assets, qualified TSMEs can amortize the intangible assets based on 200% of the actual cost incurred¹.

Criteria for qualified TSMEs and the relevant administrative measures shall be referenced to Guokefazheng [2017] No. 115 ("Circular 115", i.e., Measures on the Evaluation of TSMEs).

Other than those specified in PN 16, matters related to the super deduction of R&D expenses for qualified TSMEs shall still be referenced to Caishui [2015] No. 119 ("Circular 119", i.e., Notice regarding the improvement of policies related to the super deduction of R&D expenses for Corporate Income Tax (CIT) purposes), etc.

Prior to the promulgation of PN 16, the 200% R&D super deduction ratio only applies to qualified manufacturing enterprises. The issuance of PN 16 aims to encourage TSMEs to increase R&D investment for scientific innovation and their own developments. Relevant enterprises are advised to read the abovementioned circulars for details and stay alert to the notice for annual TSMEs evaluation to be announced by the supervising authorities to fully leverage the benefits.

¹ The prevailing R&D super deduction policies also include (please click the circular nos. in the chart to access the relevant circulars):

<i>Circular nos.</i>	<i>Applicable enterprises</i>	<i>Ratio of super deduction</i>	<i>Applicable period</i>
<u>MOF/STA PN [2021] No. 13</u>	Qualified manufacturing enterprises	200%	From 1 January 2021
<u>Caishui [2018] No. 99 and MOF/STA PN [2021] No. 6</u>	Other enterprises (except for those engaging in specific industries that are not eligible to claim super deduction, i.e., manufacturing of tobacco, lodging and catering, wholesale and retail, real estate, leasing and commercial services, entertainment, and other industries to be specified by the MOF and STA.)	175%	From 1 January 2018 to 31 December 2023

You can click this link to access the full content of PN 16:

https://mp.weixin.qq.com/s/tRDRzKXWnP_5BCUjcQ3klw

You can click this link to access the full content of the Report on the Work of the Government (2022):

http://www.gov.cn/premier/2022-03/05/content_5677248.htm

You can click this link to access the full content of Circular 115:

http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fgzc/gfxwj/gfxwj2017/201705/t20170510_132709.html

You can click this link to access the full content of Circular 119:

<http://www.chinatax.gov.cn/n810341/n810755/c1878881/content.html>

► **Opinions on further regulating the profit-making behavior of livestreaming and promoting the healthy development of the industry (Shuizongsuodefa [2022] No. 25)**

Synopsis

To further regulate the profit-making behavior of livestreaming, on 25 March 2022, the STA, State Administration for Market Regulation and Cyberspace Administration of China jointly released opinions on promoting the healthy development of the livestreaming industry (hereinafter referred to as the "Opinions") via Shuizongsuodefa [2022] No. 25. Under which, some key points related to tax collection and administration are highlighted as follows:

Responsibility of entities

Livestreaming platforms should report the identities, account, revenue, profit and other information of livestreamers with the profit-making behavior to the local provincial cyberspace authority and the competent tax authority every six months, and clearly remind the rights and obligations, e.g., market entity registration, taxation obligation, etc. of livestreamers in the service agreement.

Withholding obligation

Livestreaming platforms and livestreaming service providers should fulfil Individual Income Tax (IIT) withholding obligation in accordance with law and should not help livestreamers to evade tax.

Regulate tax collection

Enterprises and individual studios established by livestreamers should set up accounting books in accordance with the relevant regulations and income tax shall, in principle, be calculated and levied on an actual basis. The administration of the tax matters, e.g., entrusted levying, invoicing, etc. related to livestreaming platforms and related third-party enterprises shall be effectively regulated.

Relevant livestreaming entities are advised to read the Opinions for details and observe the regulations.

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5174022/content.html>

► **Notice regarding the "2022 Action Plan on Simplifying Tax Procedures for Taxpayers (2.0 Version)" (Shuizongnafuhan [2022] No. 32)**

Synopsis

To further optimize the tax environment, on 31 March 2022, the STA announced the "2022 Action Plan on Simplifying Tax Procedures for Taxpayers (2.0 Version)" via Shuizongnafuhan [2022] No. 32 ("Circular 32").

Compared to the previous version, 16 measures are newly introduced through Circular 32. Some new measures are worth-noting:

- Measures to extend the scope of on-the-spot tax-deregistration.
- Allowing self-employed industrial and commercial households who calculate their VAT payable on general calculation method (i.e., not those adopting simplified calculation method) to voluntarily participate in the tax credit rating system. Such taxpayers may enjoy the refund policy of input VAT credits brought forward from the previous periods, if applicable.
- Take special actions to crack down fabrication of VAT invoices on behalf of others.
- Guide taxpayers who are taxed on a deemed basis to switch to be taxed on an actual basis.

It is understood that the STA shall further work on the implementation of measures announced in Circular 32. 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 32:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5174109/content.html>

Business circular

► **Notice issued by the Executive Committee of Guangdong-Macao In-Depth Cooperation Zone in Hengqin regarding the "Ten Measures for Reducing Comprehensive Costs of Enterprises in the Guangdong-Macao In-depth Cooperation Zone in Hengqin"**

Synopsis

To further optimize the business environment in the Guangdong-Macao In-depth Cooperation Zone in Hengqin (hereinafter referred to as the "Cooperation Zone"), the Executive Committee of the Cooperation Zone issued ten measures for reducing comprehensive costs of enterprises in the Cooperation Zone (hereinafter referred to as the "Ten Measures") on 2 March 2022.

The Ten Measures involve subsidies for enterprise office, operation, investment, staff, etc. Some key measures include:

- ▶ The office rental subsidies for technology enterprises in the Cooperation Zone will be extended from three years to five years, and the subsidies in the last two years will be half of that of the first three years.
- ▶ The application conditions for rental subsidies and living allowance in the Cooperation Zone are adjusted to apply to more people. Personnel with a college degree or lower can receive an allowance of RMB 20,000 and RMB 8,000 respectively.
- ▶ Special policies will be formulated and introduced to support Macao investors to invest and develop in the Cooperation Zone, offering subsidies for office and commercial building rent, commercial building decoration, research and development, market development as well as rewards for brand landing and revenue.
- ▶ Appropriate operating subsidies will be given to the entities of qualified commercial brand stores in the Cooperation Zone where the relevant requirements for opening time and opening rate are met.

Relevant enterprises in the Cooperation Zone or enterprises interested in investing in the Cooperation Zone are advised to read the Ten Measures for details so as to fully enjoy the preferential measures² offered.

² *In addition to the abovementioned subsidies, rewards measures, etc., the prevailing preferential tax treatments for the Cooperation Zone include:*

- ▶ *Enterprises of qualified industries in the Cooperation Zone shall be eligible for a reduced CIT rate of 15%, and all industries conducive to Macao's economic diversification shall be included in the scope of the policy.*
- ▶ *Enterprises are allowed to claim one-off deduction, accelerated depreciation or amortization for qualified capital expenditures incurred in the current period.*
- ▶ *Income derived from incremental outbound direct investment of tourism, modern service and high-tech enterprises that are established in the Cooperation Zone shall be exempted from CIT.*
- ▶ *For domestic and overseas high-end or urgently needed talents working in the Cooperation Zone, the part of their IIT burden exceeding 15% shall be exempted; IIT imposed on Macao residents working in the Cooperation Zone that exceeds the tax burden in Macao shall also be exempted, etc.*

Special customs policies for the Cooperation Zone are offered as well. (Please see the Overall Plan for Building the Cooperation Zone ("the Plan") and Caishui [2022] No. 3 ("Circular 3") for details.)

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

http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_879314.html

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

http://www.gov.cn/zhengce/2021-09/05/content_5635547.htm

You can click this link to access the full content of Circular 3:

http://czt.gd.gov.cn/tzgg/content/post_3876408.html

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

- ▶ **List of Major Preferential Tax and Fiscal Policies for Transportation Related Industries in 2022 (Issue I)**
http://www.gov.cn/xinwen/2022-03/28/content_5681998.htm
- ▶ **Opinions on implementing key tasks division of the "Report on the Work of the Government" (Guofa [2022] No. 9)**
http://www.gov.cn/zhengce/content/2022-03/25/content_5681343.htm

- ▶ **Notice regarding providing services for supporting small and medium-sized enterprises (Gongxintingqiye [2022] No. 58)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_aa5cb3ab2f3a455c94d44d5afd302ce1.html
- ▶ **Notice regarding the 2022 rent reduction and exemption for small and micro-sized enterprises and self-employed industrial and commercial households in the service industry (Guozitingcaiping [2022] No. 29)**
http://www.gov.cn/zhengce/zhengceku/2022-03/28/content_5682038.htm
- ▶ **Opinions on promoting the green development of “Belt and Road Initiative” (Fagaikaifang [2022] No. 408)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220328_1320629.html
- ▶ **The 2022 Legislative Work Plan of the MOF**
http://tfs.mof.gov.cn/caizhengfazhidongtai/202203/t20220328_3798917.htm
- ▶ **Opinions on promoting the high-quality development of the construction of a social credit system and forming a new development pattern**
http://www.gov.cn/zhengce/2022-03/29/content_5682283.htm
- ▶ **Notice regarding the development plan of traditional Chinese medicine during the 14th Five-year Plan period (Guobanfa [2022] No. 5)**
http://www.gov.cn/zhengce/content/2022-03/29/content_5682255.htm
- ▶ **Notice regarding integrating technology and finance to improve the innovation capacity of enterprises (Guokehuozi [2022] No. 81)**
<http://www.chinatorch.gov.cn/kjb/tzgg/202203/da537e8f1a9c42f1867b40faa3b583a0.shtml>
- ▶ **Notice regarding implementing the policies for promoting the recovery and development of tourism industry (Banchanyefa [2022] No. 55)**
http://zwgk.mct.gov.cn/zfxxgkml/cyfz/202203/t20220331_932224.html
- ▶ **PN regarding matters related to the Customs Administration of Zhangjiagang Bonded Area (GAC PN [2022] No. 29)**
<http://www.customs.gov.cn/customs/302249/2480148/4267244/index.html>



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