

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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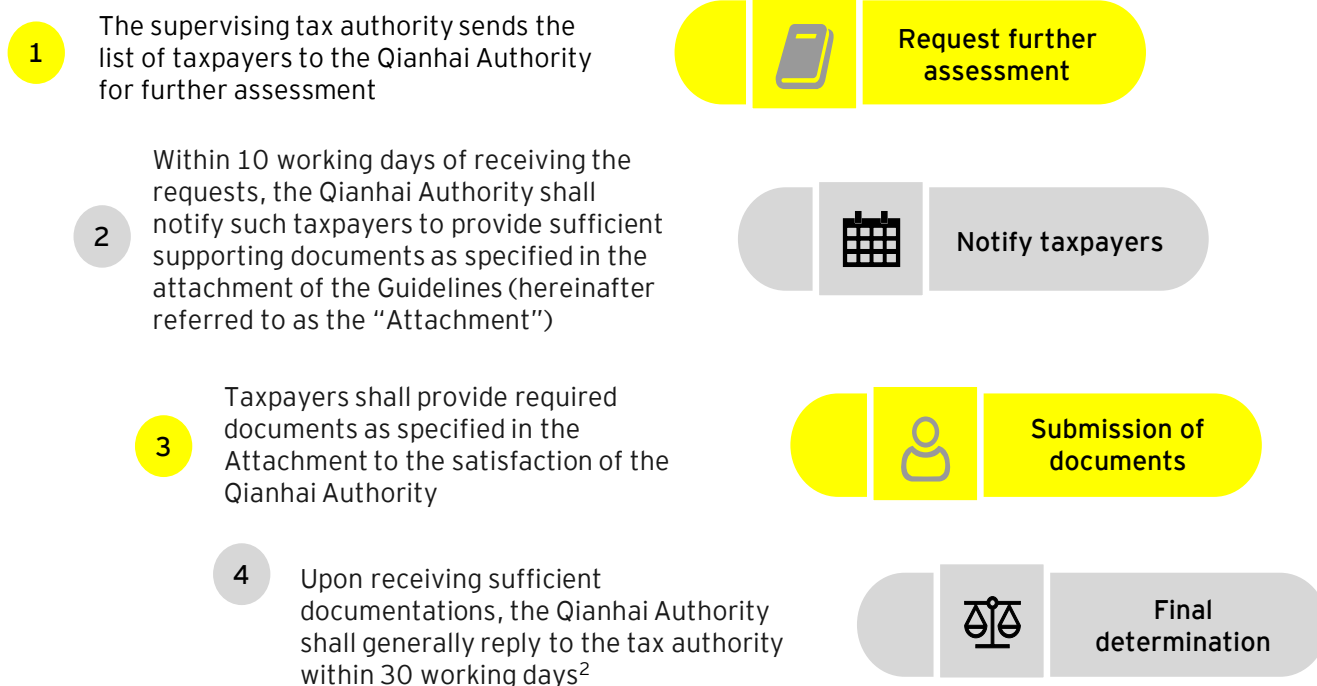
Tax circular

- ▶ **Notice issued by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone regarding the “Guidelines of Qianhai for the Recognition of Industries Eligible for Preferential Corporate Income Tax (CIT) Policies”**

Synopsis

According to Caishui [2021] No. 30 (“Circular 30”, i.e., Notice regarding continuously implementing the preferential CIT policies in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (hereinafter referred to as “Qianhai”), eligible enterprises¹ established in Qianhai engaging in encouraged industries (i.e., attachment of Circular 30) are subject to a reduced CIT rate of 15% from 1 January 2021 to 31 December 2025.

The eligible enterprises may complete the relevant data fields of the CIT returns and enjoy the preferential CIT policies during the provisional CIT filings and annual CIT filing and retain the relevant documents (e.g., relevant service contracts related to the core business, etc.) for enquiry of the supervising tax authorities. However, in case tax authorities have difficulties in determining whether the core businesses of enterprises fall into the scope of encouraged industries, they can seek opinions from the relevant authorities of Shenzhen municipal people's government or the authorized subordinates to further assess the taxpayers' qualifications in eligibility for the preferential CIT policies. In this regard, the Authority of Qianhai (hereinafter referred to as the "Qianhai Authority") announced the Guidelines of Qianhai for the Recognition of Industries Eligible for Preferential CIT Policies (hereinafter referred to as the "Guidelines") on 30 April 2022 to specify the following procedures and detailed documentation requirements for further determination:



The Guidelines became effective on 20 May 2022 and shall be valid for five years.

It is worth noting that in case a taxpayer enjoyed certain CIT preferences and later was found disqualified, the taxpayer needs to pay back the reduced/exempt CIT for which the taxpayer is not eligible to enjoy together with the relevant surcharges. To avoid tax risks and the time-consuming process of further assessment, taxpayers are advised to gather sufficient and clean supporting documents in advance to meet the requirement of the supervising tax authorities. As the deadline of the 2021 annual CIT filing is approaching, taxpayers are suggested to read the full contents of the Guidelines and the Attachment to perform a self-evaluation in advance. If in doubt, consultations with professionals are always recommended.

¹ An eligible enterprise should meet both of the following criteria:

- ▶ Engaging in encouraged industries as prescribed in the preferential CIT catalogues in Qianhai, i.e., Attachment of Circular 30; and
- ▶ The core businesses derived from the encouraged industries account for more than 60% of its total income.

However, even both the above-mentioned criteria are met, the reduced CIT rate of 15% only applies to:

- ▶ Income allocated to the head office and its branch(es) located in Qianhai; or
- ▶ Income allocated to the branch(es) located in Qianhai if the head office is outside of Qianhai.

The allocation of income between the head office and its branches with cross-region operations shall be referred to the prevailing CIT policies.

² The promised timeframe does not include any time that may be required for evaluation by field experts. In addition, for specific cases that should be approved by the leadership of the Qianhai Authority, the total timeframe may be extended to 50 working days. However, if the taxpayer is classified as “Grade I enterprise” according to the Qianhai local rating system by the Qianhai Authority and tax authorities, the Qianhai Authority shall shorten the time for processing further assessment.

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

http://qh.sz.gov.cn/sygnan/xxgk/xxgkml/zcfg/gfxwj/content/post_9769641.html

You can click this link to access the full content of Circular 30:

<https://shenzhen.chinatax.gov.cn/sztax/zcwj/zxwj/202107/f3b8d885725647328f9b6cd83628e93e.shtml>

Business circulars

▶ **Notice regarding public opinions consultation on the “Catalog of Encouraged Industries for Foreign Investment (2022 Version) (Discussion Draft)”**

Synopsis

On 10 May 2022, the National Development and Reform Commission (NDRC) and Ministry of Commerce (MOFCOM) jointly released the “Catalog of Encouraged Industries for Foreign Investment (2022 Version) (Discussion Draft)” (hereinafter referred to as the “Discussion Draft” or “2022 Catalog”) to seek public opinions.

Compared to the prevailing standards, the Catalog of Encouraged Industries for Foreign Investments (2020 Version) (hereinafter referred to as the “2020 Catalog”), 238 items are newly added, 114 items are revised (mostly for expanding the coverage of the original items) and 38 items are removed in the 2022 Catalog. 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 2022 Catalog include:

- ▶ Further encourage foreign investment in the manufacturing sector. Items such as components, parts and equipment manufacturing, etc. are added or expanded in the national catalog.
- ▶ Further encourage foreign investment in production related service sectors. Items such as professional design, technical service and development, etc. are added or expanded in the national catalog.
- ▶ Further encourage foreign investment in the central and western regions and northeast regions. Items in the catalog of central and western regions are added or expanded according to the advantages of local labor force, special resources and needs of investment.

Relevant parties are encouraged to express opinions on or before 10 June 2022 by logging onto the official websites of related departments (www.moj.gov.cn, www.chinalaw.gov.cn, www.ndrc.gov.cn and www.mofcom.gov.cn) or by sending emails to pantr@ndrc.gov.cn.

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

<http://www.mofcom.gov.cn/article/zqyj/yjzc/yjzcnzd/202205/20220503311032.shtml>

You can click this link to access the full content of the 2020 Catalog:

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

► **2022 Supervision Work Plan of the Standing Committee of the National People's Congress**

Synopsis

On 6 May 2022, the Standing Committee of the National People's Congress (NPC) launched its 2022 Supervision Work Plan (hereinafter referred to as the "Plan").

The Plan sets out the supervision works to be completed in 2022 by the Standing Committee of the NPC concerning the development of economics, safeguard and improve peoples' wellbeing, enhance law enforcement, etc.

Notably, it is stated in the Plan that specific research shall be conducted with the aim to improve the prevailing Individual Income Tax (IIT) scheme by the end of October 2022. The research shall cover the following aspects:

- Distribution of income derived from assets and capital as well as the relevant IIT collection and administration;
- IIT collection and administration on operational income derived by sole proprietorship enterprises, partnership enterprises and self-employed industrial and commercial households;
- Major negative factors and problems that may hinder the functions of income adjustments of the IIT scheme; and
- Suggestions and recommendations to further improve the prevailing IIT scheme and IIT Law.

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 the Plan:

<http://www.npc.gov.cn/npc/c30834/202205/3b193f6d73e74888877565fbc3e4fb78.shtml>

► **Notice regarding implementing the policies on the temporary deferral of social security contributions for industries in difficulty (Renshetingfa [2022] No. 16)**

Synopsis

To implement the policies for supporting the industries in difficulty, on 25 April 2022, the State Taxation Administration (STA) and Ministry of Human Resources and Social Security (MOHRSS) jointly released Renshetingfa [2022] No. 16 ("Circular 16"), announcing certain matters related to implementing the policies on the temporary deferral of employees' basic pension insurance, unemployment insurance and work-related injury insurance contributions (hereinafter referred to as "three social security contributions") borne by employers for those industries in difficulty.

Key features of Circular 16 are as follows:

Application scope

The deferral policy is applicable to the three social security contributions by enterprises in catering, retail, tourism, civil aviation, highway, waterway and railway transportation industries. Self-employed industrial and commercial households with employees and other types of entities in the above industries that participate in social security scheme are allowed to defer payment of the three social security contributions with reference to the above measures. The contributions that are borne by employees are not applicable to the deferral policy, employers should still perform the obligation of withholding and payment in accordance with the law.

Implementation period

The contributions that are covered by the deferral policy include employees' basic pension insurance from April to June 2022 and unemployment insurance and work-related injury insurance from April 2022 to March 2023. During this period, enterprises can apply for contribution deferral for different periods and shall be exempted from late payment fee.

Handling process

During the contribution deferral period, an enterprise can apply to the social security registration department for deferring payment of the three social security contributions according to its own business conditions and can choose to defer payment of any of the three social security contributions. The social security registration department shall review whether the enterprise is eligible for the deferral policy based on the industry types reported by the enterprise at the time of social security registration. Where the documented information is not sufficient to classify the industry type, the notification and commitment system can be implemented.

Make-up payment

Enterprises shall make up the deferred unemployment insurance and work-related injury insurance contributions within one month after the deferral period, and shall make up the deferred employees' basic pension insurance contributions no later than the end of 2022.

Treatments and impacts

During the contribution deferral period,

- ▶ An employee can only apply for pension benefits after the employer makes up the deferred employees' basic pension insurance contributions for the employee.
- ▶ Deferred payment of unemployment insurance contributions will not affect enterprises' eligibility to enjoy the policies of temporary unemployment insurance rate reduction and employment stabilization, employees' eligibility to the subsidy for skill improvement, or insured unemployed persons' eligibility to the unemployment insurance benefits or subsidies.
- ▶ Deferred payment of work-related injury insurance contributions will not affect enterprises' eligibility to enjoy the policies of temporary work-related injury insurance rate reduction or employees' eligibility to work-related injury insurance benefits.

In addition, enterprises in the abovementioned five hard-hit industries can enjoy not only the policies of deferred payment of unemployment insurance and work-related injury insurance contributions but also the policies of unemployment insurance and work-related injury insurance rate reductions at the same time.

Relevant entities are advised to read Circular 16 for greater details so as to leverage the preferential treatments. We will keep an eye on the follow-on implementation measures introduced by local governments and authorities, please stay tuned.

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5175280/content.html>

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

- ▶ **Notice regarding the list of entities under the pilot program of electronic reimbursement, entry and archiving of electronic invoices (3rd batch) (Dangbanfa [2022] No. 4)**
http://kjs.mof.gov.cn/gongzuotongzhi/202205/t20220505_3807816.htm
- ▶ **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (38th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (54th Batch)" (MIIT PN [2022] No. 12)**
http://www.caam.org.cn/chn/1/cate_2/con_5235783.html

- ▶ **Notice regarding certain measures for supporting real economy (Shenzhengshang [2022] No. 439)**
http://www.szse.cn/disclosure/notice/t20220504_592699.html
- ▶ **Notice regarding the “Regulations on Standards for Filing and Prosecution of Criminal Cases under the Jurisdiction of Public Security Authorities (Part II)”**
https://www.spp.gov.cn/spp/xwfbh/wsfbt/202204/t20220429_555906.shtml#2
- ▶ **Opinions on supporting and guaranteeing the high-quality development of Zhejiang for the construction of a common prosperity demonstration zone**
https://www.spp.gov.cn/spp/xwfbh/wsfbt/202205/t20220507_556283.shtml#2
- ▶ **Notice regarding certain measures for supporting small, medium and micro-sized enterprises (Gongxinbuiyehan [2022] No. 103)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_a22156b08b43454a8752547da0696835.html
- ▶ **Notice regarding the “Measures for the Compliance, Evaluation and Review of Enterprises Involved in Cases (Trial)” (Quanliantingfa [2022] No. 13)**
<https://mp.weixin.qq.com/s/-acAXvfoaac1h5kqtYO4Q>
- ▶ **Notice regarding regulating and promoting the development of commercial pension financial services (Yinbaojiangui [2022] No. 8)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1050361>
- ▶ **Template of Actor Employment Contract (Trial)**
http://f2.cri.cn/M00/59/EB/rBABDGJ1vYiAD_CSAAiY-C2_1BQ391.pdf
- ▶ **Notice regarding the key tasks of cost reduction in 2022 (Fagaiyunxing [2022] No. 672)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz//202205/t20220510_1324480.html
- ▶ **Notice regarding carrying out pilot programs for the integration of domestic and foreign trade (Shangjianhan [2022] No. 114)**
<http://www.mofcom.gov.cn/article/qztz/tzbjg/202205/20220503310976.shtml>
- ▶ **Approval on temporarily adjusting the implementation of relevant regulations of the “Regulations of the People’s Republic of China on Ship Registration” in Hainan Free Trade Port (Guohan [2022] No. 42)**
http://www.gov.cn/zhengce/content/2022-05/11/content_5689604.htm
- ▶ **List of the 2021 first set of key technology equipment (projects) in the field of energy (NEA PN [2022] No. 2)**
http://zfxxgk.nea.gov.cn/2022-05/07/c_1310591797.htm
- ▶ **Notice regarding the “Measures on the Supervision and Inspection of CPA Firms” (Caiban [2022] No. 23)**
http://kjs.mof.gov.cn/zhengcefabu/202205/t20220512_3809853.htm
- ▶ **Ten measures of the China Customs for stabilizing the development and improving the quality of foreign trade**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4344313/index.html>



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