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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.

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*If you wish to access the previous issues of CTIE and *China Tax & Investment News*, please contact us.

Tax circulars

- ▶ **Agreement Between the Government of the People's Republic of China (PRC) and the Republic of Angola (Angola) for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion**

Synopsis

Recently, the Agreement Between the Government of the People's Republic of China (PRC) and the Republic of Angola (Angola) for the Avoidance of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion (hereinafter referred to as the "PRC-Angola DTA") was announced via the official website of the State Taxation Administration (STA). The PRC-Angola DTA was concluded on 9 August 2018 but has not yet been ratified.



Key features of the PRC-Angola DTA are as follows:

Items		Provisions
Permanent establishment (PE)	Construction PE ¹	A period of more than 183 days
	Installation/structure ²	A period of not less than 90 days.
Withholding tax (WHT) rates	Dividends ³	5%/8%
	Interest ⁴	8%/exempt
	Royalties	8%
	Technical services ⁵	5%
Capital gains	Gains from disposal of shares in a land-rich company	Gains derived by a resident of a Contracting State from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50% of their value directly or indirectly from immovable property, as defined in Article 6 (income from immovable property), situated in that other State.

Relevant investors and go-global enterprises that intend to invest or expand their investments in Angola/the PRC should study the PRC-Angola DTA carefully and consider the impact it may bring about. As a common practice, the STA shall announce a public notice when a new treaty entered into by the PRC become effective, we will keep an eye on any further developments and advise you accordingly, please stay tuned.

¹ The construction PE refers to a building site or a construction, assembly or installation project, but only such site, project or activities lasts for a prescribed period of time.

² An installation or structure used in the research or exploration for natural resources located in a Contracting State provided that the installation or structure continues for a prescribed period of time.

³ The WHT rate shall not exceed 5% of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends throughout a 365 day period that includes the day of the payment of the dividend (for the purpose of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganization, such as a merger or divisive reorganization, of the company that holds the shares or that pays the dividend). In all other cases, the WHT rate shall not exceed 8% of the gross amount of the dividends.

⁴ In cases where the beneficial owner of the interest arising in a Contracting State is a resident of the other Contracting State, the WHT rate shall not exceed 8%. However, the WHT shall be exempt for interest arising in a Contracting State and paid to the Government of the other Contracting State or political subdivisions, local authorities thereof, the Central Bank of the other Contracting State, or any entity the capital of which is mainly owned by the other Contracting State, or paid on loans guaranteed or insured by the Government of the other Contracting State, or political subdivisions, local authorities thereof, the Central Bank of the other Contracting State or any entity the capital of which is mainly owned by the other Contracting State.

⁵ Article 14 (Fee for technical services) reserves the right to tax fee for technical services (i.e., any payment in consideration for any service of a managerial, technical or consultancy nature except for certain prescribed payments) at source. This treatment is rather uncommon as compared to other treaties.

You can click this link to access the full content of the PRC-Angola DTA:

<http://www.chinatax.gov.cn/chinatax/n810341/n810770/c5176185/content.html>

► **Notice regarding the work related to phased acceleration of export tax refunds (Shuizonghuolaohan [2022] No. 83)**

Synopsis

To ensure the implementation of phased acceleration of export tax refunds, the STA released Shuizonghuolaohan [2022] No. 83 (“Circular 83”) to clarify relevant matters on 14 June 2022.

Key features of Circular 83 are as follows:

Phased acceleration of export tax refunds

During the period from 20 June 2022 to 30 June 2023, the average time tax authorities spend to handle normal export tax refunds (exemption) ⁶ of Class I and Class II export enterprises⁷ should be reduced to 3 working days. Upon the expiry of the period prescribed, the time requirement for handling the tax refunds will be further clarified according to the development of foreign trade and actual implementation.

Requirements for tax collection and administration

Tax authorities at the local level should strengthen overall planning of work to ensure rapid tax refunds, crack down on export tax refund fraud, promote the stability and quality of foreign trade and open-up.

Taxpayers are advised to read Circular 83 for details and fully utilize the benefits offered.

⁶ Normal export tax refunds (exemption) refers to the qualified export tax refunds (exemption) without any suspected tax fraud that have been verified by tax authorities.

⁷ Class I and Class II export enterprises refer to those export enterprises that are classified as Class I or Class II in the export tax refund category management.

You can click this link to access the full content of Circular 83:

<http://www.chinatax.gov.cn/chinatax/n377/c5176141/content.html>

Business circulars

► **Notice regarding an overall plan for promoting comprehensive cooperation among Guangdong, Hong Kong and Macao by further deepening the open-up of Nansha district in Guangzhou (Guofa [2022] No. 13)**

Synopsis

To promote comprehensive cooperation among Guangdong, Hong Kong and Macao in Guangzhou Nansha, the State Council released the “Overall Plan for Promoting Comprehensive Cooperation Among Guangdong, Hong Kong and Macao by Further Deepening the Open-up of Nansha district in Guangzhou” (hereinafter referred to as the “Plan”) on 6 June 2022.

Key features of the Plan are as follows:

Development objectives

By 2025

- ▶ The Guangdong-Hong Kong-Macao joint technological innovation system of Nansha will be further improved, and the regional innovation and industrial transformation systems will be preliminarily established.
- ▶ The cooperation in entrepreneurship and employment of youth will be further improved, and the concentration of high-quality public resources such as education and medical care will be accelerated.
- ▶ A market-oriented and legalized international business environment will be basically built.
- ▶ A construction and operation mode of green, intelligent, energy-saving and low-carbon parks will be basically established.

By 2035

- ▶ The capacity to transfer and transform international scientific and technological achievements will be significantly enhanced.
- ▶ World-leading public services will be achieved.
- ▶ The world-class business environment will be further improved.

Preferential tax policies

Preferential Corporate Income Tax (CIT) and Individual Income Tax (IIT) policies introduced in the Plan are as follows:

CIT

- ▶ CIT shall be levied at a reduced rate of 15% for enterprises in encouraged industries within the start-up areas⁸, and a catalogue of encouraged industries shall be formulated.
- ▶ Further extend the loss carried forward period for enterprises in relevant key high-tech industries in Nansha.

IIT

- ▶ Hong Kong and Macao residents working in Nansha shall be granted subsidies to cover the portion of their IIT that exceeds the IIT burden as if they earn it in Hong Kong and Macao.
- ▶ Overseas high-end talents and talents in short supply who work in Nansha are eligible for the IIT subsidy policy⁹ of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area").

Support entrepreneurship and employment

- ▶ Promote innovation and entrepreneurship of youth and support qualified one-stop innovation and entrepreneurship platforms to enjoy preferential tax policies for technology business incubators¹⁰.
- ▶ Qualified Hong Kong and Macao residents who start businesses in Nansha can equally enjoy local support policies for start-up guaranteed loans and interest subsidies as local businesses.
- ▶ Provide subsidies to Hong Kong college students who are employed in Nansha and explore ways to promote public institutions, statutory entities and state-owned enterprises to hire qualified young talents from Hong Kong and Macao.

High-level open-up

- ▶ Rely on the industrial and market foundation of Guangzhou, especially Nansha, to build a comprehensive service base for Chinese enterprises to “go global”.
- ▶ Enhance the function of international shipping logistics hub.
- ▶ Strengthen international economic cooperation, comprehensively strengthen and deepen economic and trade cooperation with Japan, South Korea and ASEAN countries, and support the high-quality implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement in Nansha.

Relevant parties are advised to read the Plan for details so as to make appropriate investment plans and fully utilize the benefits offered.

⁸ The start-up areas include Nansha Bay, Qingsheng hub and Nansha hub in the Nansha area of China (Guangdong) Pilot Free Trade Zone, with a total area of approximately 23 square kilometers.

⁹ According to Yuecaishui [2020] No. 29 (“Circular 29”, i.e., Notice issued by the Finance Department of Guangdong Province, the Science and Technology Department of Guangdong Province, the Human Resources and Social Security Department of Guangdong Province and Guangdong Provincial Tax Service, STA regarding extending the implementation of preferential IIT policies in the Guangdong-Hong Kong-Macao Greater Bay Area), local governments of the nine cities (i.e., municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province) of the Greater Bay Area shall provide financial subsidies to cover the portion of IIT paid that exceeds 15% of taxable income of the overseas high-end talents and talents in short supply who work in Greater Bay Area. The subsidies paid to the individuals shall also be exempt from IIT.

¹⁰ According to Caishui [2018] No. 120 (“Circular 120”, i.e., Notice regarding tax policies for technology business incubators, university science parks and maker spaces), real estates and lands used by qualifying technology business incubators (“TBIs”) or rented, provided for free to their incubated targets shall be exempt from Real Estate Tax and Urban Land Usage Tax. Income derived by qualifying TBIs from provision of incubation services to their incubated targets shall be exempt from Value-added Tax.

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

http://www.gov.cn/zhengce/content/2022-06/14/content_5695623.htm

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

http://czt.gd.gov.cn/tzgg/content/post_3164405.html

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

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

▶ Guiding opinions on further promoting the reform of the sub-provincial fiscal system (Guobanfa [2022] No. 20)

Synopsis

To promote the reform of the sub-provincial fiscal system, the General Office of the State Council released Guobanfa [2022] No. 20 (“Circular 20”) on 29 May 2022 aiming to establish a more profound fiscal system and optimize the resources allocation.

According to Circular 20, the tax revenue sharing among the local governments below the provincial level should be appropriately allocated; the tax revenue sharing of each type of tax should be allocated based on a reasonable ratio. The existing policies that provide full retention or incremental refund of tax revenue by certain regions shall be abolished gradually, unless otherwise specified by the state. On the other hand, Circular 20 also states that any local policies that provide refunds or subsidies linked to revenue of tax and other governmental charges shall be cleaned up as these policies may improperly interfere the development of markets.

It is worth-noting that the Chinese government has been making efforts to clean up local preferential tax treatments and other incentives that are not in line with the national policies. Examples include the issuance of Guofa [2014] No. 62 ("Circular 62", i.e., Notice regarding cleaning up and regulating various taxes and other preferential policies) and Guofa [2015] No. 25 ("Circular 25", i.e., Notice regarding certain matters related to various taxes and other preferential policies), etc. Also, a more recent action was taken by the People's Government of Hainan Province by releasing Qiongfuban [2021] No. 18 ("Circular 18", i.e., Notice regulating issues on financial and tax related supporting policies for certain industries) to strictly prohibit the issuance/conclusion of any supporting policies/contracts with enterprises linking to their tax payments by local government authorities and the relevant industrial parks in Hainan.

It is important for investors/enterprises to note that certain incentives offered by or under negotiation with the local governments/industrial parks may be regarded as "linked to revenue of tax and other governmental charges". However, in a longer run, it is not unreasonable to anticipate that the central government would still grant a certain degree of discretion to the local authorities and industrial parks to stipulate their supporting policies and incentives to attract investments or boost the local economy. In this respect, it is important for investors or enterprises to proactively consult with the relevant parties regarding the possible transitional arrangements or alternative solutions.

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 20:

http://www.gov.cn/zhengce/content/2022-06/13/content_5695477.htm

You can click this link to access the full content of Circular 62:

http://www.gov.cn/zhengce/content/2014-12/09/content_9295.htm

You can click this link to access the full content of Circular 25:

http://www.gov.cn/zhengce/content/2015-05/11/content_9725.htm

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

<https://www.hainan.gov.cn/hainan/zmghnwj/202105/0a46abad5c5948a4af1324d10604a1e7.shtml>

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

- ▶ **Notice regarding the "Implementation Rules for the Implementation of Registration, Depository and Settlement Business of the Stock Connect between Mainland China and Hong Kong (April 2022 Revised Version)"**
<http://www.chinaclear.cn/zdjs/gszb/202206/d3649c45072049b29ffc9419f4601794.shtml>
- ▶ **Guiding opinions on promoting the development of Public-Private-Partnership (PPP) model in water infrastructure (Shuiguji [2022] No. 239)**
<https://www.hanyin.gov.cn/Content-2413690.html>
- ▶ **Notice regarding accelerating the implementation of intellectual property policies to promote the steady and healthy development of economy (Guozhifayunzi [2022] No. 25)**
http://www.gov.cn/zhengce/zhengceku/2022-06/12/content_5695335.htm
- ▶ **Public notice regarding matters related to the collection of annual patent fees (CNIPA PN [2022] No. 486)**
https://www.cnipa.gov.cn/art/2022/6/10/art_74_175994.html

- ▶ **Notice regarding key tasks for adjusting the administration of the 2022 enterprise greenhouse gas emissions report in response to the COVID-19 epidemic (Huanbanqihouhan [2022] No. 229)**
http://www.gov.cn/zhengce/zhengceku/2022-06/12/content_5695325.htm
- ▶ **Notice regarding the “National Strategy for Climate Change Adaptation 2035” (Huanqihou [2022] No. 41)**
http://www.gov.cn/zhengce/zhengceku/2022-06/14/content_5695555.htm
- ▶ **Administrative Regulations on Mobile Internet Application Information Services**
http://www.gov.cn/xinwen/2022-06/14/content_5695690.htm
- ▶ **Notice regarding the recommendation of 2022 National Small and Medium-sized Enterprises Public Service Demonstration Platforms (Gongxintingqiyehan [2022] No. 129)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_990c7e759f754275a2b4e6bfd349adaa.html
- ▶ **Approval for the establishment of the Wanjiang Jiangnan Bounded Logistics Center (Type B) (Shumaohan [2022] No. 83)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4393981/index.html>



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