

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

- ▶ **Notice regarding implementing the refund policy of input Value-added Tax (VAT) credits brought forward from the previous periods for coal-fired power enterprises in securing power supply (Caishui [2022] No. 25)**

Synopsis

According to the prevailing policies, a refund policy of input VAT credits is applicable to enterprises engaging in 13 industries including the manufacturing and supply of utility, heating power and water.



Detailed arrangements for the tax refund for eligible enterprises are as follows:

Types of taxpayers	Refund of incremental input VAT credits (增量留抵税额)	Refund of accumulated input VAT credits (存量留抵税额)
Qualified micro-sized enterprises	May apply for the tax refund of incremental input VAT credits in the VAT filing to be completed in April 2022 or onwards.	May apply for the tax refund of accumulated input VAT credits in a lump-sum in the VAT filing to be completed in April 2022 or onwards.
Qualified small-sized enterprises		May apply for the tax refund of accumulated input VAT credits in a lump-sum in the VAT filing to be completed in May 2022 or onwards.
Qualified medium-sized enterprises engaging in six industries ¹		May apply for the VAT refund of accumulated input VAT credits in a lump-sum in the VAT filing to be completed in May 2022 or onwards.
Qualified large-sized enterprises engaging in six industries ¹		May apply for the VAT refund of accumulated input VAT credits in a lump-sum in the VAT filing to be completed in June 2022 or onwards.
Qualified medium/large-sized enterprises engaging in seven industries ²	May apply for the tax refund of incremental input VAT credits in the VAT filing to be completed in July 2022 or onwards.	May apply for the VAT refund of accumulated input VAT credits in a lump-sum in the VAT filing to be completed in July 2022 or onwards.

Specifically, to mitigate the pressures of coal-fired power enterprises that are suffering huge losses due to the impact of COVID-19 and the rapid increase of costs, on 24 June 2022, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released Caishui [2022] No. 25 ("Circular 25") to call for acceleration of Input VAT credit refund process for coal-fired power enterprises that purchase and use imported coal.

Relevant taxpayers are encouraged to read the policies and guidance for more information and fully leverage the benefits offered. If in doubt, timely consultations with professionals are highly recommended.

¹ The scope of the six industries includes "manufacturing", "scientific research and technical services", "manufacturing and supply of utility, heating power and water", "software and information technology services", "ecological conservation and comprehensive ecological improvement", "transportation, storage and postal services".

² The scope of the seven industries includes "retail and wholesale", "agricultural, forestry, animal husbandry and fishery", "accommodation and catering", "resident services, repairs and other services", "education", "hygiene and social work", as well as "culture, sports and entertainment industries".

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

http://www.gov.cn/zhengce/zhengceku/2022-06/24/content_5697523.htm

► **Notice regarding the tax installment policy for equity incentives in the core area of Zhongguancun National Independent Innovation Demonstration Zone (NIIDZ) (Haidian Park) (Caishui [2022] No. 16)**

Synopsis

To support self-reliance and self-improvement technology reform in Zhongguancun NIIDZ, on 6 May 2022, the MOF and STA jointly released Caishui [2022] No. 16 ("Circular 16") to introduce relevant preferential Individual Income Tax (IIT) policies as follows:

From 1 January 2022, for the stock options, restricted shares and equity incentives granted to individuals by listed high-tech enterprises that are registered in the core area of Zhongguancun NIIDZ (Haidian Park), the IIT on the income derived therefrom can be paid by installments within three years from the date of exercising the stock options, the lifting of restricted shares or the acquisition of equity incentives.

The abovementioned “listed high-tech enterprises” refer to enterprises that are recognized as high-tech enterprises by science and technology, finance and tax authorities and shares of the enterprises are traded on the Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange.

Relevant individuals are encouraged to read Circular 16 for greater details and enjoy the preferential IIT treatments. If in doubt, consultations with professionals are always recommended.

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

<http://czj.beijing.gov.cn/zwx/tztq/202206/P020220617596593884612.pdf>

- ▶ **Notice regarding public opinions consultation on the “Public Notice (PN) regarding Fully Implementing List-based Administration on Tax Administrative Approval Items (Discussion Draft)”**
- ▶ **Notice regarding public opinions consultation on the “PN regarding Optimizing the Tax Administration Matters Related to Taxpayers Applying for Tax Payment Deferral, etc. (Discussion Draft)”**

Synopsis

Further to Guobanfa [2021] No. 2 (“Circular 2”) issued by the General Office of the State Council which introduced the full implementation of list-based administration, on 16 June 2022, the STA released “PN Regarding Fully Implementing List-based Administration on Tax Administrative Approval Items (Discussion Draft)” (hereinafter referred to as the “STA’s Discussion Draft on List-based Administration”) on its official website to seek public opinion. The consultation of public opinion shall be opened until 16 July 2022.

According to the STA’s Discussion Draft on List-based Administration, the list of the STA only covers one tax-related item that is subject to administrative approval, i.e., the amount of upper limit of VAT invoice to be issued via the VAT anti-counterfeiting invoicing system. The relevant sample documentation and requirements, application documents/flows, etc. in this regard are specified in the attachments of the STA’s Discussion Draft on List-based Administration.

It is worth noting that administrative approval requirements for five items that were previously prescribed in STA PN [2019] No. 34 (“PN 34”, i.e., PN regarding further simplifying procedures of handling tax-related administrative approval items) shall be removed. Accordingly, the STA released the “PN regarding Optimizing the Tax Administration Matters related to Taxpayers Applying for Tax Payment Deferral, etc. (Discussion Draft)” (hereinafter referred to as the “Discussion Draft on Tax Administration Matters”) to seek public opinion. PN34 shall also be opened until 16 July 2022.

According to the Discussion Draft on Tax Administration Matters, the four items as prescribed in PN 34, i.e., the deferral of tax payment, extension of tax filing, alteration of fixed tax payment on deemed basis, prepayment method of Corporate Income Tax other than actual basis shall be completed online with further simplified procedures/application documents and expedited timeframe. On the other hand, the item of printing invoices shall be managed according to the government procurement items.

Concerned taxpayers are advised to read the two abovementioned Discussion Drafts and are encouraged to express opinions on or before 16 July 2022 by sending mails or logging onto <http://www.chinatax.gov.cn>.

You can click this link to access the full content of Circular 2:

http://www.gov.cn/zhengce/content/2022-01/30/content_5671368.htm

You can click this link to access the full content of the STA’s Discussion Draft on List-based Administration:

<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5176192/content.html>

You can click this link to access the full content of the STA’s Discussion Draft on Tax Administration Matters:

<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5176205/content.html>

You can click this link to access the full content of PN 34:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5138274/content.html>

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

- ▶ **Notice regarding supporting cross-border RMB settlement in new business models of foreign trade (Yinfa [2022] No. 139)**
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4581686/index.html>
- ▶ **Notice regarding stabilizing market entities and extending license renewal deadlines (Banshichangfa [2022] No. 104)**
http://www.gov.cn/zhengce/zhengceku/2022-06/17/content_5696374.htm
- ▶ **Notice regarding implementing the support policies for facilitating the recovery and development of catering industry (Shangbanfumaohan [2022] No. 154)**
<http://fms.mofcom.gov.cn/article/jingjidongtai/202206/20220603319646.shtml>
- ▶ **Notice regarding the special action of ensuring one-stop services of quality infrastructure to support small, medium and micro-sized enterprises and self-employed industrial and commercial households in difficulty (Guoshijianzhifa [2022] No.62)**
http://gkml.samr.gov.cn/nsjg/zlfzj/202206/t20220621_347996.html
- ▶ **Notice regarding promoting phased rent reduction and exemption for market entities (Jianfang [2022] No. 50)**
https://www.mohurd.gov.cn/gongkai/fdzdgnr/zfhcxjsbwj/202206/20220622_766850.html
- ▶ **Notice regarding the "Code of Conduct for Livestreamers" (Guangdianfa [2022] No. 36)**
https://zwgk.mct.gov.cn/zfxxgkml/qt/202206/t20220622_934011.html
- ▶ **Guiding opinions on enhancing the construction of digital government (Guofa [2022] No. 14)**
http://www.gov.cn/zhengce/content/2022-06/23/content_5697299.htm
- ▶ **PN regarding adjusting declaration requirements for certain imported cosmetics (GAC PN [2022] No. 51)**
<http://www.customs.gov.cn/customs/302249/2480148/4412526/index.html>



Contact us

For more information, please contact your usual EY contact or one of the following EY's China tax leaders.

Author - China Tax Center

Jane Hui
+852 2629 3836
jane.hui@hk.ey.com

Greater China Tax Leader

Henry Chan
+86 10 5815 3397
henry.chan@cn.ey.com

Our tax leaders by market segment and service areas

Martin Ngai (China North)

+86 10 5815 3231
martin.ngai@cn.ey.com

Patricia Xia (China Central)

+86 21 2228 2878
patricia.xia@cn.ey.com

Ho Sing Mak (China South)

+86 755 25028289
Ho-Sing.Mak@cn.ey.com

David Chan (Hong Kong SAR/Macau SAR)

+852 2629 3228
david.chan@hk.ey.com

Heidi Liu (Taiwan)

+886 2 2757 8888
heidi.liu@tw.ey.com

Carrie Tang

Business Tax Services
+86 21 2228 2116
carrie.tang@cn.ey.com

Vickie Tan

Global Compliance and Reporting
+86 21 2228 2648
vickie.tan@cn.ey.com

Becky Lai

Tax Policy
+852 2629 3188
becky.lai@hk.ey.com

Andrew Choy

International Tax and Transaction Services
+86 10 5815 3230
andrew.choy@cn.ey.com

Travis Qiu

ITTS - Transfer Pricing
+86 21 2228 2941
travis.qiu@cn.ey.com

Jesse Lv

ITTS - Transaction Tax
+86 21 2228 2798
jesse.lv@cn.ey.com

Kevin Zhou

Indirect Tax - VAT
+86 21 2228 2178
kevin.zhou@cn.ey.com

Bryan Tang

Indirect Tax - Global Trade
+86 21 2228 2294
bryan.tang@cn.ey.com

Patricia Xia

Tax Technology
and Transformation
+86 21 2228 2878
patricia.xia@cn.ey.com

Paul Wen

People Advisory Services
+852 2629 3876
paul.wen@hk.ey.com

Catherine Li

Financial Services
+86 10 5815 3890
catherine.li@cn.ey.com

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