

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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Business circulars

- ▶ **Support Measures of Guangdong-Macau In-depth Cooperation Zone in Hengqin for Promoting Substantial Operation and Development of Leading Enterprises**

Synopsis

To promote substantial operation and development of Leading Enterprises in Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as the "Cooperation Zone") and improve the comprehensive competitiveness of the Cooperation Zone, on 12 December 2022, the Economic Development Bureau of the Cooperation Zone released the "Support Measures of the Cooperation Zone for Promoting Substantial Operation and Development of Leading Enterprises" (hereinafter referred to as the "Support Measures"), which clarify the standards for eligible enterprises and relevant preferential and reward measures for enterprises, including preferential tax treatments, subsidies, rewards, loan interest subsidies, etc.

Among which, some key points are highlighted for you:

Eligible leading enterprises

To be eligible for the preferential and reward measures provided by the Support Measures, a Leading Enterprise should meet relevant requirements on the industry, place of registration, tax jurisdiction, company account opening bank, revenue, legal status, etc. In addition, the enterprise should operate substantially in the Cooperation Zone (the actual management organization should be located in the Cooperation Zone and implement substantial management and control on the production and operation, personnel, accounting and property of the enterprise). Leading Enterprises can be divided into three categories: Demonstration, Comprehensive and Growth. Corresponding standards for the different types of Leading Enterprises are stipulated in the Support Measures.

Preferential and reward measures

Key preferential and reward measures as stipulated in the Support Measures are summarized as follows:

Preferences and rewards	Measures applying to qualifying Leading Enterprises
Tax preferences ¹	<ul style="list-style-type: none"> ▶ Reduced Corporate Income Tax (CIT) rate of 15%. ▶ Qualified capital expenditure is allowed for one-off deduction or accelerate depreciation and amortization in the current period. ▶ Income derived from new overseas direct investment in the tourism, modern services and high-and-new technology industries established in the Cooperation Zone shall be exempted from CIT. ▶ For domestic and overseas high-end and urgently needed talents working in the Cooperation Zone, Individual Income Tax burden that exceeds 15% shall be exempted.
Subsidies	<ul style="list-style-type: none"> ▶ Operation subsidies: For Demonstration Leading Enterprises, Comprehensive Leading Enterprises and Growth Leading Enterprises that operate substantially in the Cooperation Zone, RMB20 million, RMB6 million and RMB1 million of operation subsidies will be granted respectively each year. ▶ Employment subsidies: Where the number of employees exceeds the maximum number in previous years, RMB150,000 will be granted for every 10 additional employees, but cap at RMB5 million each year. ▶ Loan interest subsidies: 30% of the current loan prime rate (LPR) or the actual interest rate will be subsidized, whichever is lower, with a cap of RMB20 million per year. ▶ Office space subsidies <ul style="list-style-type: none"> ▶ Rental subsidies: Up to RMB60/square meter/month (RMB70/square meter/month for qualified Macau-invested enterprises) and not exceeding the rental price of the contract. One enterprise can be subsidized up to 36 months in a row, with a cap of RMB5 million per year. ▶ Purchase subsidies: 20% of the purchase price of office accommodation for self-use or research and development will be subsidized. One enterprise can be subsidized up to RMB20 million, and the subsidies shall be distributed in three years at the ratios of 40%, 30% and 30% respectively.

Preferences and rewards (Cont'd)	Measures applying to qualifying Leading Enterprises (Cont'd)
Reward	<ul style="list-style-type: none"> ▶ Reward for revenue growth: Leading Enterprises with positive year-on-year growth of operating revenue will be rewarded based on specific standards for different types of leading enterprises. ▶ Reward for utilizing foreign capital: For annual actual utilization of foreign capital of more than USD10 million, 1.5% of the actual utilized amount will be rewarded to the enterprise, with a cap of RMB20 million each year. ▶ Reward for mergers and acquisitions (M&A): For a single M&A project with investment of more than RMB100 million, 1% of the investment amount will be rewarded, with a cap of RMB10 million each year. ▶ Reward for the settlement of Fortune 500 headquarters: one-off reward of RMB200 million.
Support services	Facilitation services provided for executives and high-end talents of leading enterprises cover migration of household registration, children's education, exit and entry, residence , medical care, social security, etc.

It is worth-noting that for Macau-invested leading enterprises, unless otherwise specified in the Support Measures, the reward and subsidy amounts shall be 1.2 times of the specified standard. The so-called "Macau-invested enterprise" refers to those enterprises with an investor who is either a resident of Macau Special Administrative Region (SAR), a legal entity organization or non-legal entity professional service institution established in Macau SAR, and the shareholding ratio shall not be less than 25%.

The Support Measures became effective on 1 January 2021 and will be valid through 31 December 2024. In case of duplication and overlap between the Support Measures and other supporting policies of Guangdong Province and the Cooperation Zone, unless otherwise specified, support shall be given in accordance with the principle of preferential treatment, priority and non-duplication.

Leading enterprises in the Cooperation Zone and those that plan to invest in there are advised to read the Support Measures for details so as to fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

¹ According to Caishui [2022] No. 19 ("Circular 19", i.e., Notice regarding the preferential CIT policy for the Cooperation Zone) and Caishui [2022] No. 3 ("Circular 3", i.e., Notice regarding the preferential Individual Income Tax policy for the Cooperation Zone), qualified enterprises (including non-leading enterprises) can enjoy these preferential tax treatments, effective from 1 January 2021.

You can click this link to access the full contents of the Support Measures:

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/gfxwj/content/post_3468946.html

You can click this link to access the full contents of Circular 19:

https://guangdong.chinatax.gov.cn/gdsw/ssfggds/2022-11/01/content_f1377a017f3f4f3caf8467466c83437d.shtml

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

https://guangdong.chinatax.gov.cn/gdsw/ssfggds/2022-03/10/content_67a89c225cb5456385d58f38d1b5976d.shtml

- ▶ **Measures of Guangzhou Nansha New Area (Free Trade Zone) for promoting the high-quality development of "specialized, sophisticated, distinctive and innovative" small and medium-sized enterprises (SMEs) (Suinankaiguanbanqui [2022] No. 9)**

Synopsis

The Ministry of Industry and Information Technology has been promoting the development of "Specialized, sophisticated, distinctive and innovative (SSDI) small giant enterprises" (hereinafter referred to as "small giant enterprises"), "SSDI SMEs" and technology innovated SMEs², in which SSDI SMEs with outstanding advantages in market, technological innovation, quality and efficiency, etc. are provided with various supporting measures and awards.

For instance, the Guangzhou Nansha Development Zone Management Committee Office and Guangzhou Nansha District People’s Government Office jointly issued Suinankaiguanbangui [2022] No. 9 (“Circular 9”) on 19 December 2022, aiming to promote high-quality development of SSDI SMEs in Nansha New Area (hereinafter referred to as “Nansha”).

Key features in Circular 9 are as follows:

Awards	Detailed supporting measures
Relocation awards	<ul style="list-style-type: none"> ▶ An upfront reward of RMB2,000,000 will be granted to a small giant enterprise that relocated into Nansha from outside of Guangzhou. ▶ A matching award at 50% of the municipal award amount will be granted to the operator of the pilot industrial park that brings in the small giant enterprises and SSDI SMEs from outside of Guangzhou.
Recognition award	<ul style="list-style-type: none"> ▶ An award of up to RMB3,000,000 will be granted to an enterprise recognized as a key small giant enterprise. ▶ An award of up to RMB2,000,000 will be granted to an enterprise recognized as a small giant enterprise. ▶ An award of RMB500,000 will be granted to an enterprise recognized as a SSDI SME.
Achievement award	<p>Small giant enterprises, SSDI SMEs and technology innovated SMEs will be rewarded for the following achievements:</p> <ul style="list-style-type: none"> ▶ An award of RMB500,000 will be granted to the enterprise when its annual gross industrial output value or revenue first exceeded RMB500 million. ▶ An award of RMB1,000,000 will be granted to the enterprise when its annual gross industrial output value or revenue first exceeded RMB1 billion. ▶ An award of RMB2,000,000 will be granted to the enterprise when its annual gross industrial output value or revenue first exceeded RMB20 billion. <p>Among these, 30% of the award will be used to subsidize the key executives of the enterprises.</p>
Innovation award	<p>Awards of RMB500,000, RMB200,000 or RMB100,000 (up to RMB1,000,000 accumulatively per year per enterprise) will be granted to small giant enterprises, SSDI SMEs and technology innovated SMEs promoting key technical equipment, or new materials, etc.</p>

As the central government strictly prohibited local financial subsidies in relation to tax payments, it is anticipated that more and more local financial subsidies will be granted to qualifying enterprises in the form of awards to support their development, innovation, etc. Enterprises are advised to read Circular 9 for details and take the initiative to communicate with the local governments when trying to leverage this incentive in Nansha. If in doubt, consultations with professionals are always recommended.

² *Small giant enterprises, SSDI SMEs and technology innovated SMEs are subject to different criteria (e.g., small giant enterprises should incur R&D expenses exceeding RMB30 million for the previous year while SSDI SMEs should incur R&D expenses not less than RMB1 million for the previous year) and rating system as prescribed in the Provisional Measures on outstanding SMEs released via Gongxinbuqiye [2022] No. 63 (“Circular 63”).*

You can click this link to access the full contents of Circular 9:

http://www.gzns.gov.cn/gznsqfb/gkmlpt/content/8/8723/post_8723974.html#13788

You can click this link to access the full contents of Circular 63:

http://www.gov.cn/zhengce/zhengceku/2022-06/02/content_5693548.htm

- ▶ **Approval on the comprehensive pilot program for expanding the opening-up of the service industry in Shenyang and other five cities (Guohan [2022] No. 135)**

Synopsis

Since the comprehensive pilot program for the opening-up of the service industry was first launched in Beijing in May 2015 via Guohan [2015] No. 81 (“Circular 81”, i.e., Reply to the “Overall Pilot Plan for the Opening-up of the Service Industry in Beijing”), the pilot program has been further expanded to cover Tianjin, Shanghai, Chongqing and Hainan in order to develop new systems for a higher-standard open economy.

Recently, the State Council announced Guohan [2022] No. 135 (“Circular 135”) on 3 December 2022 approving the comprehensive pilot programs for expanding the opening-up of service industries in Shenyang, Nanjing, Hangzhou, Wuhan, Guangzhou and Chengdu (hereinafter referred to as the “new pilot areas”) for three years. According to the usual practice, it is anticipated that the Ministry of Finance will soon further announce detailed pilot measures for the new pilot areas respectively in relation to facilitation in terms of trade, investment, cross-border flow of capital, etc.

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 contents of Circular 135:

http://www.gov.cn/zhengce/content/2022-12/20/content_5732723.htm

You can click this link to access the full contents of Circular 81:

http://www.gov.cn/zhengce/content/2015-05/21/content_9794.htm

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

- ▶ **Notice regarding the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (45th Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (61st Batch)” (MIIT PN [2022] No. 33)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_056bdde01c9642a8bcd2977e312561dc.html
- ▶ **Administrative Measures on China’s Renowned Software Cities (Parks) (Gongxinbuxinfa [2022] No. 168)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_8a28b256299d4d6ea41fa11dda3bbb54.html
- ▶ **Guidelines for pilot listing of cross-border bonds on the Greater Bay Area bond platform of Shenzhen Stock Exchange (Shenzhengshang [2022] No. 1170)**
http://www.szse.cn/lawrules/rule/allrules/bussiness/t20221216_597890.html
- ▶ **Opinions on building basic systems for data to better utilize data**
http://www.gov.cn/zhengce/2022-12/19/content_5732695.htm
- ▶ **Public notice regarding further expanding the scope of stocks under the Mainland and Hong Kong stock exchange interconnection mechanism**
http://www.sse.com.cn/home/component/news/c/c_20221219_5714155.shtml
- ▶ **Notice regarding improving industrial land supply policies to support the real economy (Ziranzifa [2022] No. 201)**
http://qi.mnr.gov.cn/202212/t20221220_2771194.html
- ▶ **Decisions on abolishing certain regulatory documents (MOF Order [2022] No. 112)**
http://tfs.mof.gov.cn/caizhengbuling/202212/t20221220_3859009.htm
- ▶ **Opinions on enhancing the judicial protection for intellectual property rights of traditional Chinese medicine (Fafa [2022] No. 34)**
<https://www.court.gov.cn/fabu-xiangqing-384041.html>
- ▶ **Notice regarding commencement of the 2022 science and technology statistics (Guokehuozi [2022] No. 204)**
<http://www.innofund.gov.cn/kjb/tzgg/202212/c6991523926f4fbda313f7d9fd5bb0a9.shtml>

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