



# 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.

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

## Tax circular

- ▶ **Notice issued by Xinjiang Autonomous Region Tax Service, State Taxation Administration (STA) regarding clarifications on certain issues related to the preferential Corporate Income Tax (CIT) policies for newly established enterprises in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos**

### Synopsis

According to Caishui [2021] No. 27 ("Circular 27", i.e., Notice regarding the preferential CIT policies for newly established enterprises in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos), from 1 January 2021 to 31 December 2030, newly established enterprises mainly engaging in industries listed in the "Catalog of Key Encouraged Industries subject to Preferential CIT Policies for Impoverished Areas of Xinjiang" (hereinafter referred to as the "Xinjiang Catalog")<sup>1</sup>, announced via Caishui [2021] No. 42 ("Circular 42", i.e., Notice regarding the Xinjiang Catalog), registered in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos (hereinafter referred to as the "covered areas") are applicable to the following preferential CIT treatments:

- ▶ A tax holiday of "a two-year CIT exemption followed by a three-year 50% reduction of CIT (based on the statutory CIT rate of 25%)" is available for eligible enterprises in impoverished areas of Xinjiang starting from their first income-generating year; or

- ▶ Eligible enterprises in the two special economic development zones in Kashgar and Khorgos shall be applicable to a five-year CIT exemption starting from their first income-generating year.

To be eligible for the abovementioned preferential CIT treatments, enterprises should have substantial business operation and exercise overall management and control on their business, personnel, accounting and properties in the covered areas.

On 7 May 2023, the Xinjiang Autonomous Region Tax Service, STA released a Notice to further clarify issues related to the preferential CIT policies for newly established enterprises in the covered areas (hereinafter referred to as the “Xinjiang Notice”).

Similar to the practices in Hainan Free Trade Port and the Guangdong-Macau In-depth Cooperation Zone in Hengqin, the Xinjiang Notice elaborated the four key factors for the determination of an enterprise’s eligibility of “substantial business operation” in the covered areas, which are:

- ▶ Whether the enterprise has manufacturing/business operations in the covered areas;
- ▶ Whether the enterprise has enough staff in the covered areas;
- ▶ Whether the enterprise has accounting records maintained in the covered areas; and
- ▶ Whether the enterprise has assets situated in the covered areas.

In particular, according to Circular 42, business activities from five industries listed in the Xinjiang Catalog, i.e., the technology services, commercial services, trading services, education/cultural/hygiene/sports and other services, and human resource services, shall be conducted locally over 50% of total business activities. In this regard, the Xinjiang Notice further elaborated that, qualified enterprises engaging in the abovementioned industries should meet one of the following requirements:

- ▶ The enterprise engages in sales conducted locally (including exportation via the local customs) and the revenue derived in this regard exceeds 50% of its total revenue.
- ▶ The enterprise has purchases conducted locally (including importation via the local customs) and the expenditure related to the local purchases of goods/labor/services in this regard exceeds 50% of its total costs/expenses.
- ▶ Assets that are acquired locally by the enterprise and used for the purpose of substantial business operation and directly related to the operating income should exceed 50% of the total assets.

To enjoy the preferential CIT treatment, taxpayers shall fill out a Commitment Form re Self-evaluation of Business Operation Substance (see annex of the Xinjiang Notice). Also, taxpayers are required to keep the required supporting documents as specified in the Xinjiang Notice for further reference.

Taxpayers are advised to read the above-mentioned circulars for details when trying to leverage this tax incentive. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> Such newly established enterprises should derive over 60% of their income from the key encouraged industries.

You can click this link to access the full contents of the Xinjiang Notice:

[https://mp.weixin.qq.com/s/gl3\\_ODMxQFBNJmjzdo7R8g](https://mp.weixin.qq.com/s/gl3_ODMxQFBNJmjzdo7R8g)

You can click this link to access the full contents of Circular 42:

[https://xinjiang.chinatax.gov.cn/zwgk/tzgg/202112/t20211221\\_93745.htm](https://xinjiang.chinatax.gov.cn/zwgk/tzgg/202112/t20211221_93745.htm)

You can click this link to access the full contents of Circular 27:

[https://xinjiang.chinatax.gov.cn/sszc/zxwj/202107/t20210705\\_85628.htm](https://xinjiang.chinatax.gov.cn/sszc/zxwj/202107/t20210705_85628.htm)

### ► **Implementation opinions of Shanghai on attracting research and development (R&D) institutions and promoting R&D industrialization (Hujingxinji [2023] No. 409)**

#### **Synopsis**

To attract and gather enterprise R&D institutions with global influence and promote R&D industrialization in Shanghai, on 18 April 2023, five municipal government authorities of Shanghai (e.g., Shanghai Municipal Commission of Economy and Informatization and Shanghai Municipal Development & Reform Commission) jointly released the “implementation opinions of Shanghai on attracting R&D institutions and promoting R&D Industrialization” (hereinafter referred to as the “Implementation Opinions”).

Some key points are as follows:

- Encourage enterprise R&D institutions to enhance their control over key and core technologies through mergers and acquisitions. A reward of up to RMB5 million may be granted to qualified acquirers in Zhangjiang and Lingang New Areas on a pilot basis.
- Encourage enterprises to perform pilot trials on their scientific and technological achievements in Lingang New Areas. A reward of up to RMB10 million with a cap at 50% of total investment may be granted to a qualified registered project within three years.
- Qualified talents engaging in key R&D of selected industrials may be granted with a reward of up to RMB500,000. Qualified overseas talents can apply for permanent resident certificates and adopt the facilitated entry/exit procedures.

It is anticipated that the relevant local government authorities in Shanghai would further formulate implementation policies in this regard to respond to the Implementation Opinions. 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 the Implementation Opinions:

<https://www.sheitc.sh.gov.cn/jsjb/20230512/67e7df9bc9b44fc3a93b1d748fa6bb6b.html>

### ► **Measures of the Zhuhai National Hi-tech Industrial Development Zone for supporting technology innovation (Zhugao [2023] No. 27)**

### ► **Measures of the Zhuhai National Hi-tech Industrial Development Zone for promoting the development of the financial industry (Zhugao [2023] No. 29)**

#### **Synopsis**

To promote the development of innovation entities in Zhuhai National Hi-tech Industrial Development Zone (hereinafter referred to as “Zhuhai Hi-tech Zone”), the Management Committee of Zhuhai Hi-tech Zone issued Zhugao [2023] No. 27 (“Circular 27”) on 20 April 2023 to bolster technology innovation. Circular 27 shall be effective from 21 May 2023 to 31 December 2024.

According to Circular 27, the Zhuhai Hi-tech Zone would provide various incentives to high-and-new technology enterprises (HNTEs), scientific research institutions, etc. For instance, according to Circular 27, recognized HNTEs shall receive cash rewards in the following year after the recognition:

Applicable enterprises	Cash rewards
Enterprises recognized as HNTEs for the first time	RMB400,000
Enterprises reassessed as HNTEs	RMB200,000

Besides, newly recognized national enterprise technology centers shall receive rewards of RMB5 million.

On the other hand, the Management Committee of Zhuhai Hi-tech Zone also issued Zhugao [2023] No. 29 ("Circular 29") on 24 April 2023 to enhance the development capacity and competitiveness of the financial industry. According to Circular 29, financial rewards of up to RMB30 million shall be available for newly established qualified financial institutions with substantial operations. Circular 29 shall be effective from 25 May 2023 to 31 December 2025.

Notably, various local government authorities have released circulars offering different financial incentives and awards to attract investment and boost local economic development. Investors and enterprises are advised to pay attention to these local offerings and explore their investment opportunities with full leverage on the incentives. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of Circular 27:

[http://www.zhuhai-hitech.gov.cn/gfxwj/content/post\\_3518060.html](http://www.zhuhai-hitech.gov.cn/gfxwj/content/post_3518060.html)

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

[http://www.zhuhai-hitech.gov.cn/gfxwj/content/post\\_3522871.html](http://www.zhuhai-hitech.gov.cn/gfxwj/content/post_3522871.html)

### **Other tax, business and customs-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 Treatments (49th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (65th Batch)" (MIIT PN [2023] No. 11)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art\\_775ad683e9a848fbb774204a2462eb58.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art_775ad683e9a848fbb774204a2462eb58.html)
- ▶ **Catalog of Non-transport Special Operations Vehicles Equipped with Fixtures that are exempt from Vehicle Purchase Tax (ninth batch) (STA/MIIT PN [2023] No. 7)**  
<http://www.chinatax.gov.cn/chinatax/n371/c5195775/content.html>
- ▶ **Notice regarding matters related to the submission of 2022 statistical annual report of outbound direct investment (Shangbanhehan [2023] No. 332)**  
<http://images.mofcom.gov.cn/hzs/202305/20230511111750970.pdf>
- ▶ **18 Measures for Supporting the Innovative Development of Tax-related Service Industry in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Shenqianhaigui [2023] No. 4)**  
[http://qh.sz.gov.cn/tzqh/rcdt/rczc/content/post\\_10586754.html](http://qh.sz.gov.cn/tzqh/rcdt/rczc/content/post_10586754.html)
- ▶ **Guidelines on the Statistics and Declaration of International Receipts and Payments through Banks (2023 Version) (Huifa [2023] No. 10)**  
<http://www.safe.gov.cn/safe/2023/0506/22669.html>
- ▶ **Public notice (PN) regarding further adjusting and optimizing entry-and-departure control measures**  
[http://www.gov.cn/zhengce/zhengceku/2023-05/11/content\\_5754844.htm](http://www.gov.cn/zhengce/zhengceku/2023-05/11/content_5754844.htm)
- ▶ **Opinions on regulating the real estate brokerage services (Jianfanggui [2023] No. 2)**  
[https://www.mohurd.gov.cn/gongkai/zhengce/zhengcefilelib/202305/20230508\\_771481.html](https://www.mohurd.gov.cn/gongkai/zhengce/zhengcefilelib/202305/20230508_771481.html)
- ▶ **PN regarding implementing the mutual recognition of "Authorized Economic Operator (AEO)" between the Customs of China and Uganda (GAC PN [2023] No. 45)**  
<http://www.customs.gov.cn/customs/302249/302266/302267/5008968/index.html>
- ▶ **PN regarding issuing 84 industrial standards and abolishing 5 industrial standards (GAC PN [2023] No. 47)**  
<http://gdfs.customs.gov.cn/customs/302249/2480148/5008717/index.html>

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