



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.

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Tax circular

- ▶ **Notice regarding certain matters related to commercial health insurance products eligible for preferential Individual Income Tax (IIT) treatments (Jingui [2023] No. 2)**

Synopsis

According to the prevailing IIT policies, an individual taxpayer is allowed to claim deduction for IIT purposes for purchasing qualified commercial health insurance products with a deduction limit of RMB2,400 per year (or RMB200 per month).

In this respect, on 4 July 2023, the National Administration of Financial Regulation released Jingui [2023] No. 2 ("Circular 2") to specify certain matters related to commercial health insurance products eligible for preferential IIT treatments.



Key features of Circular 2 include:

Major types of commercial health insurance products

The scope of qualified commercial health insurance products eligible for the preferential IIT treatment shall be expanded to cover major types of commercial health insurance, which include:

- ▶ Medical insurance
- ▶ Long-term care insurance
- ▶ Disease insurance

It is noteworthy that standardized terms will no longer be used for insurance products. Instead, it is emphasized on increasing flexibility and product coverage, while underwriting requirements will be limited to pre-existing conditions, allowing market entities to handle other aspects of product design.

Offering different insurance plans and insurance coverage option

- ▶ Life insurance companies are allowed to offer different insurance plans for individuals with pre-existing conditions. Furthermore, these companies are encouraged to expand their offerings by developing long-term care insurance and disease insurance products tailored specifically for individuals with pre-existing conditions and the elderly.
- ▶ Policyholders have the option to secure insurance coverage not only for themselves but also for their spouses, children, and parents.

Miscellaneous points

- ▶ Life insurance companies are required to meet requirements for their equity and solvency ratios to ensure they have the corresponding service capacity.
- ▶ To facilitate the deductions for IIT purposes, an industry-wide commercial health insurance information platform will be established to create an information account for policyholders, recording information of the commercial health insurance purchased that are eligible for preferential IIT treatment.

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 2:

http://www.hunan.gov.cn/zqt/zcsd/202307/t20230707_29395720.html

Business circulars

- ▶ **Notice regarding cleaning up policy measures that hinder the creation of a unified market and fair competition (Guoshijianjingxiefu [2023] No. 53)**

Synopsis

To improve the foundational system of a fair market economy, eliminate local protectionism and administrative monopolies, the State Administration for Market Regulation, Ministry of Commerce, Ministry of Finance and National Development and Reform Commission jointly issued Guoshijianjingxiefu [2023] No. 53 ("Circular 53") on 28 June 2023.

According to Circular 53, the cleanup may apply to specific prevailing regulations, policy measures relating to the economic activities of business entities, which were formulated by various departments under the State Council, local governments at the county level or above, etc., prior to 31 December 2022.

Among these, it is worth-noting that local circulars involving the following contents are to be cleaned up:

- ▶ Granting preferential policies to specific businesses not according to rules and regulations, such as providing improper tax incentives or allowing businesses to change legal entities or forms to avoid or reduce tax payments.
- ▶ Arranging improper fiscal subsidies to enterprises linking to their taxes or non-tax charges payments.
- ▶ Arranging improper exemption of social insurance to specific businesses.

In addition, Circular 53 mentions that policies impeding market access and exit will also be eliminated, such as requirements for enterprises to register in specific locations and set barriers to hinder business operations or relocation across regions.

According to Circular 53, the list of policies to be abolished will be compiled by the relevant departments of central and local governments. We will closely monitor any further developments and provide you with timely updates. Please stay tuned.

You can click this link to access the full contents of Circular 53:

https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fldj/art/2023/art_6e48555bf6e04079bbabe2c358867cdf.html

- ▶ **Notice issued by Beijing Branch of the State Administration of Foreign Exchange (SAFE) regarding “Administrative Regulations on the Centralized Operation of Cross-border Funds in Domestic and Foreign Currencies for Multinational Corporations (Trial)” (Jinghui [2023] No. 25)**
- ▶ **Administrative Regulations of Guangdong Branch of the SAFE on the Centralized Operation of Cross-border Funds in Domestic and Foreign Currencies for Multinational Corporations (Trial) (Yuehuifa [2023] No. 19)**
- ▶ **Notice issued by Shenzhen Branch of the SAFE regarding the “Administrative Regulations on the Centralized Operation of Cross-border Funds in Domestic and Foreign Currencies for Multinational Corporations (Trial)” (Shenwaiguan [2023] No. 16)**

Synopsis

To enhance the synergistic effects between domestic and international markets and better support the development of headquarters economy, in May 2023, the People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) decided to launch pilot programs¹ in Beijing, Guangdong and Shenzhen to optimize and upgrade the policies for centralized operation and management of cross-border funds in RMB and foreign currencies for multinational corporations.

In response, the local branches of the SAFE in the three respective areas have recently issued their own Trial Measures.

According to the Trial Measures of the three areas, multinational corporations that meet the following conditions may choose a domestic enterprise as the lead enterprise for centralized operation and management of domestic and overseas member companies’ funds and carrying out cash pooling operations:

- ▶ Have actual business needs;
- ▶ Possess a well-established cross-border fund management structure and internal control system in place;
- ▶ Established corresponding internal management electronic systems;
- ▶ The scale of international receipts and payments in domestic and foreign currencies of all domestic member companies in the previous year should not be less than RMB700 million; or the total operating income of all domestic member companies in the previous year should not be less than RMB1 billion and the total operating income of all overseas member companies should not be less than RMB200 million in the previous year.

However, if the parent company is registered in a specific pilot free trade zone, the aforementioned threshold will be reduced by 50%.

- ▶ No significant violations of cross-border payment and settlement regulations in the past two years (companies established for less than two years should have no significant violations of cross-border payment and settlement regulations since their establishment).
- ▶ For an enterprise listed in the List of Enterprises Handling Foreign Exchange Receipt and Payment for Trade (贸易外汇收支名录), its classification of trade in goods should be classified as Class A. If the lead company's classification of trade in goods is downgraded to Class B or Class C, the local branches of the SAFE will notify the multinational corporation to change the lead company and resubmit the application materials. In case the classification of trade in goods for other member companies is downgraded to Class B or Class C, the lead company should terminate its cash pooling operations and proceed with alteration of registered member companies.
- ▶ Overseas member companies established by domestic companies should comply with the relevant regulations on outbound investments.
- ▶ Other prudential supervision requirements to be prescribed by the PBOC and the SAFE.

Relevant enterprises are encouraged to read the pilot measures in detail and act accordingly. If in doubt, consultations with professionals are always recommended.

¹ According to the official news regarding the pilot announced on 22 May 2023 via the official website of the SAFE, the pilot measures to be implemented in the three pilot areas would include the following:

- ▶ Optimizing and integrating the existing policies and requirements related to centralized operation of cross-border funds for multinational corporations, benefiting more enterprises;
- ▶ Increasing the freedom of cross-border fund operation for enterprises, allowing multinational corporations to determine the consolidation ratio of foreign debt and overseas lending based on macro-prudential principles;
- ▶ Supporting multinational corporations to conduct cross-border fund centralized operations in RMB;
- ▶ Simplifying the filing process and review of relevant documents for fund utilization.

You can click this link to access the full contents of the pilot measures of the three areas:

<https://www.safe.gov.cn/beijing/2023/0630/2161.html>

<https://www.safe.gov.cn/shenzhen/2023/0704/1524.html>

<https://www.safe.gov.cn/guangdong/2023/0630/2573.html>

You can click this link to access the full contents of the official news:

<https://www.safe.gov.cn/zhejiang/2023/0522/1793.html>

▶ **Implementation measures of Shanghai for promoting the global foreign investment partnership program (Hushangcujin [2023] No. 172)**

Synopsis

To seize new opportunities in global investment, promote the attraction and expansion of foreign investment, the Shanghai Municipal Commission of Commerce launched the Shanghai global foreign investment partnership program (hereinafter referred to as the "program") via Hushangcujin [2023] No. 172 ("Circular 172") on 28 June 2023.

The program aims to promote foreign inbound investment through "global partners", which refer to enterprises, institutions, and organizations that have established cooperative relations with Shanghai. These partners would help to attract investments, introduce qualified foreign-funded projects, and facilitate project implementation in Shanghai. The following entities may be recognized as global partners:

- ▶ Internationally renowned accounting firms/law firms/consulting agencies/real estate consultants
- ▶ Multinational banks, prominent venture capital firms, industry-leading funds
- ▶ Fortune Global 500 multinational companies, key enterprises in various industries, and leading enterprises in the industry chains in Shanghai
- ▶ International cooperation organizations, functional platforms, industrial associations, etc.

Recognized global partners may be eligible for various types of awards, honorary recognition, or flexibilities in talent policies, visa policies, etc. For instance, if a global partner managed to facilitate a foreign investment project to invest and operate in Shanghai, it may receive financial rewards based on the actual foreign investment contributions of this project.

It is anticipated that detailed implementation rules in this regard will be formulated and announced by the relevant government authorities in Shanghai. We will closely monitor any further developments and provide you with updated information. Please stay tuned.

You can click this link to access the full contents of Circular 172:

<https://swwww.sh.gov.cn/zwgkgfqtzwcj/20230706/45b58c4343ce41fe826170cd1ea7968a.html>

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

- ▶ **Public notice (PN) regarding matters related to the implementation of Consumption Tax policies for certain refined oil (MOF/STA PN [2023] No. 11)**
<http://www.chinatax.gov.cn/chinatax/n360/c5206999/content.html>
- ▶ **Guidelines on preferential tax policies for supporting education (as of June 2023)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5206982/content.html>
- ▶ **Guidelines on preferential tax policies for supporting the employment and entrepreneurship of college graduates and other youth (as of June 2023)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5206981/content.html>
- ▶ **Notice regarding further regulating professional tax services (Shuizongnafuhan [2023] No. 99)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5207066/content.html>
- ▶ **Implementation opinions on reliability improvement in the manufacturing industry (Gongxinbulianke [2023] No. 77)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_5cb0990349f149668490f50742da22f2.html
- ▶ **PN regarding public opinions consultation on the “Anti-monopoly Guidelines on Standard Essential Patents (Discussion Draft)”**
https://www.samr.gov.cn/hd/zjdc/art/2023/art_6422b2fb728f486b9814349213ea07c6.html
- ▶ **Notice regarding the extension of policies on one-off subsidies for expanding employment (Renshebufa [2023] No. 37)**
https://www.gov.cn/zhengce/zhengceku/202307/content_6889713.htm
- ▶ **Regulations on business information disclosure of accounting firms engaged in securities service (Caikuai [2023] No. 10)**
http://kjs.mof.gov.cn/zhengcefabu/202307/t20230703_3893928.htm
- ▶ **Guiding opinions on further improving the list-based administration on evidentiary materials of notarized affairs (Sigongtong [2023] No. 6)**
http://www.moj.gov.cn/pub/sfbgw/zwxgk/fdzdgknr/fdzdgknrtzwcj/202307/t20230706_482091.html
- ▶ **PN regarding imposing export controls on gallium, germanium and related items (MOFCOM/GAC PN [2023] No. 23)**
<http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202307/20230703419666.shtml>
- ▶ **PN regarding matters related to the upgrade of the electronic information exchange system for place of origin under the Free Trade Agreement between the PRC and New Zealand (GAC PN [2023] No. 82)**
<http://www.customs.gov.cn/customs/302249/2480148/5137436/index.html>

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