



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 matters related to formulating the list of advanced manufacturing enterprises eligible for the “super input Value-added Tax (VAT) credit” policy in 2023 (Gongxintingcaihan [2023] No. 267)**

Synopsis

According to MOF/STA PN [2023] No. 43 (“PN 43”, i.e., Public notice (PN) regarding the “super input VAT credit” policy for advanced manufacturing enterprises), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises¹ are eligible for an extra 5% “super input VAT credit”.

In this regard, the Ministry of Industry and Information Technology released Gongxintingcaihan [2023] No. 267 (Circular 267) on 27 September 2023 to specify the application procedures for enterprises to be listed in the list of advanced manufacturing enterprises qualifying for enjoying the “super input VAT credit” policy in 2023.

Key features are as follows:

- ▶ Eligible taxpayers may lodge their applications to be listed as “qualified advanced manufacturing enterprises” online by 12 October 2023 before submitting the print-out receipt of the application that shall be affixed with the company chop to the local industry and information technology departments (hereinafter referred to as the “local competent departments”).
- ▶ The local competent departments would then transmit the finalized list to the corresponding tax authorities before 17 October 2023 and submit the same to the Torch High-tech Industry Development Center.
- ▶ After 17 October 2023, the applicants may check if they have been included in the list and include any previously unclaimed super input VAT credit for the current period.

Enterprises that failed to submit their applications before 12 October 2023 may continue to lodge their applications afterwards, and the local competent departments would continue to transmit the list to the corresponding tax authorities by the end of each month, while submitting the same to the Torch High-tech Industry Development Center.

Relevant enterprises that have not yet lodged their applications are advised to read Circular 267 and act as soon as possible.

¹ The advanced manufacturing enterprises refer to general VAT taxpayers of high and new technology enterprises (including their unincorporated branches) in the manufacturing industry.

You can click this link to access the full contents of PN 43:

<https://www.chinatax.gov.cn/chinatax/n359/c5211663/content.html>

You can click this link to access the full contents of Circular 267:

https://wap.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_bf5b1b141f0f4d4a9a29b1b9ec9e6762.html

- ▶ **Questions and Answers (Q&As) of preferential tax/fee policies for supporting small and micro-sized enterprises and self-employed industrial and commercial households**
- ▶ **Frequently asked questions (FAQs) on export tax refund/exemption**

Synopsis

On 28 September 2023, the General Office of State Taxation Administration (STA) announced the Q&As of preferential tax/fee policies for supporting small and micro-sized enterprises and self-employed industrial and commercial households (SICHs) (hereinafter referred to as the “Q&As”) for taxpayers’ easy reference. The Q&As cover 43 frequently asked questions and official answers from the tax authorities, such as VAT reduction and exemption policies and “six taxes and two fees” reduction and exemption policies for small and micro-sized enterprises and SICHs.

For instance, according to the Q&As, if a small-scale VAT taxpayer who is subject to VAT at a 3% VAT collection rate but is now eligible for a reduced VAT rate of 1%, the taxpayer would need to file and pay VAT at the collection rate of 3% if it issued an invoice to the buyer at 3%. The exception to this is if all copies of the invoice are recovered and invalidated, or if the “red-letter” special VAT invoices are issued in accordance with regulations.

Meanwhile, the General Office of STA also released the FAQs on export tax refund/exemption on 27 September 2023, concerning the declaration, entrusting, record changing, retention of filing documents, assessment criteria of export tax refund enterprise classification and “tolerant processing”, etc. of export tax refund.

Relevant taxpayers are encouraged to read the afore-mentioned Q&As and FAQs to further comprehend and fully leverage the preferential tax and fee policies. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of the Q&As:

<https://www.chinatax.gov.cn/chinatax/n810356/n3010387/c5214557/content.html>

You can click this link to access the full contents of the FAQs on export tax refund/exemption:

<https://www.chinatax.gov.cn/chinatax/n810356/n3010387/c5214412/content.html>

Customs circular

▶ **PN regarding matters related to the voluntary disclosure of violations (GAC PN [2023] No. 127)**

Synopsis

Aiming to strike a balance between leniency and enforcement, the General Administration of Customs (GAC) released PN regarding matters related to the voluntary disclosure of violations (hereinafter referred to as the “new rule”) via GAC PN [2023] No. 127 on 8 October 2023, which would be valid from 11 October 2023 to 10 October 2025.

Compared to the previous version of PN regarding matters related to the voluntary disclosure of customs related tax matters violations (hereinafter referred to as the “tax-related violations”) released via GAC PN [2022] No. 54 (PN 54), major changes of the new rule include further expanding the scope of exemptions from administrative penalties for voluntary disclosure, relaxing the time limits for voluntary disclosure, providing a clear definition of “the same violation of customs regulations”, and refining and adjusting the conditions for granting exemptions from administrative penalties for voluntary disclosure of “the same violation of customs regulations”.

Among these, the updated scope of exemptions from administrative penalties for voluntary disclosure are as follows (the revised contents are underlined):

- ▶ The voluntary disclosure is made to the Customs within six months from the date of the tax-related violation.
- ▶ The voluntary disclosure is made to the Customs exceeding six months but within two years from the date of the tax-related violation, and the underpaid or unpaid taxes are less than 30% of the tax payable, or the underpaid or unpaid taxes are below RMB1 million.
- ▶ Violations that affect the management of national export tax refund:
 - ▶ The voluntary disclosure is made to the Customs within six months from the date of violation.
 - ▶ The voluntary disclosure is made to the Customs exceeding six months but within two years from the date of violation, and the potential excess tax refund is less than 30% of the total tax refund payable, or the potential excess tax refund is below RMB1 million.
- ▶ Processing trade enterprises have inaccurately declared the ratio of non-bonded materials due to process improvement or other reasons, resulting in actual consumption lower than the declared consumption, and there are remaining materials, semi-finished products, or finished products that have not been disposed of, or have been re-exported through processing trade.
- ▶ Violations fall under Article 15(1) of the Customs Administrative Penalty Implementation Regulations of the People’s Republic of China (hereinafter referred to as the “Implementation Regulations”)², and rectifications were made timely without causing harmful consequences:
 - ▶ The violation is voluntarily disclosed to the Customs before the ending day of the month in which the violation occurred, and the impact on the total value is below RMB10 million.
 - ▶ The violation is voluntarily disclosed to the Customs within three months after the ending day of the month in which the violation occurred, and the impact on the total value is below RMB5 million.

- ▶ Violations fall under Article 15(2) of the Implementation Regulations².
- ▶ Violations fall under Article 18 of the Implementation Regulations³, and such violations do not affect the prohibited management of relevant import and export activities, export tax refund management, tax collection, and license management.
- ▶ Import and export enterprises or entities that violate customs inspection and quarantine regulations, but are able to promptly complete customs procedures without causing harmful consequences.

Our indirect tax team has published a WeChat article on 19 October 2023 to discuss the new rule in detail. Please click the following link for more information.

² Article 15 of the Implementation Regulations provides that on any items that should be declared (e.g., name of imported or exported goods, tariff code) but are not declared or falsely declared, penalties shall be imposed, and any illegal gains shall be confiscated. Among these, provisions 1 and 2 of Article 15 are as follows:

- (1) Where it affects the accuracy of customs statistics, a warning or a fine of RMB1,000 to RMB10,000 shall be imposed;
- (2) Where it affects the order of customs supervision, a warning or a fine of RMB1,000 to RMB30,000 shall be imposed.

³ Article 18 of the Implementation Regulations lays out several types of violation such as opening or extracting customs-supervised goods without customs permission, for such violations, a fine of no less than 5% and no more than 30% of the value of the goods shall be imposed, and any illegal gains shall be confiscated.

You can click this link to access the full contents of the new rule:

<http://www.customs.gov.cn/customs/302249/2480148/5417968/index.html>

You can click this link to access the full contents of PN 54:

<http://gdfs.customs.gov.cn/customs/302249/302266/302267/4463104/index.html>

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

<https://flk.npc.gov.cn/detail2.html?ZmY4MDgxODE4MGUwYTYxMzAxODExZTQzZjQxZjFmYTI>

You can click this link to access the full contents of the WeChat article:

<https://mp.weixin.qq.com/s/B1vksvZJcg5KGkKnhwuSIQ>

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

- ▶ **List of major preferential fiscal, tax and financial policies for the transportation industry in 2023 (Issue III)**
https://xxgk.mot.gov.cn/2020/jigou/cwsjs/202310/t20231011_3925529.html
- ▶ **Guiding opinions on optimizing legal environment to promote the development of private economy (Fafa [2023] No. 15)**
<https://www.court.gov.cn/zixun/xiangqing/413942.html>
- ▶ **Notice on Public Consultation for the "Regulations for Regulating and Facilitating Cross-border Data Flow Procedures (Discussion Draft)"**
http://www.cac.gov.cn/2023-09/28/c_1697558914242877.htm

- ▶ **Notice on Public Consultation for the “Opinions on Innovation Management of the Information and Communications Industry to Optimize the Business Environment (Discussion Draft)”**
https://www.miit.gov.cn/jgsj/xqj/scgl/art/2023/art_031b8f04befc48a38275e9fd9a6afb47.html

- ▶ **Notice regarding financial measures for supporting the recovery and expansion of consumption (Jinfa [2023] No. 8)**
<http://www.cbirc.gov.cn/chinese/docfile/2023/3811e02691b74b7a91520cb6d3f37cda.pdf>

- ▶ **Notice regarding enhancing the examination and verification of audit reports (Caikuai [2023] No. 15)**
http://kjs.mof.gov.cn/gongzuotongzhi/202310/t20231008_3910122.htm

- ▶ **Implementation opinions on promoting the high-quality development of inclusive finance (Guofa [2023] No. 15)**
https://www.gov.cn/zhengce/content/202310/content_6908495.htm

- ▶ **Notice regarding updating the list of Sino-foreign cooperative oil (gas) field exploitation enterprises (Caishui [2023] No. 51)**
http://szs.mof.gov.cn/zhengcefabu/202310/t20231012_3910750.htm

- ▶ **Notice regarding supporting accounting firms to establish branch offices and carry out pilot trials in the China (Guangdong) Pilot Free Trade Zone (Cakuai [2023] No. 16)**
https://www.szcipa.org/u/cms/szcipa_org/202310/12160418ompu.pdf

- ▶ **Guiding opinions for promoting the high-quality development of automobile aftermarket (Shangxiaofeifa [2023] No. 222)**
<http://www.mofcom.gov.cn/article/syxwfb/202310/20231003445580.shtml>

- ▶ **PN regarding the decision on commodity classifications for “heat transfer fluid” (GAC PN [2023] No. 131)**
<http://www.customs.gov.cn/customs/302249/2480148/5425109/index.html>



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