



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 circulars

► Summary of Extended, Improved, and Optimized Tax and Fee Preferential Policies (2023 version)

Synopsis

To stabilize market expectations, boost market confidence, and stimulate market vitality, the State Taxation Administration (STA) issued Summary of Extended Tax and Fee Preferential Policies (2023 version) (hereinafter referred to as the “2023 Summary”) for taxpayers’ references. The 2023 Summary encompasses 70 extended, improved, and optimized tax and fee preferential policies that have been formulated and publicly released by the STA, in collaboration with the Ministry of Finance (MOF) and other government authorities, from 2023 until the end of October 2023. Additionally, it includes six official interpretations on tax policies, frequently asked questions and answers.

Meanwhile, it is important to note that the policies included in the 2023 Summary encompass the following types:

- ▶ Policies to be implemented within a specific date, such as MOF/STA PN [2023] No. 43 (PN 43, i.e., public notice (PN) regarding the “super input Value-added Tax credit” policy for advanced manufacturing enterprises) is to be implemented until the end of 2027.
- ▶ Policies without a sunset clause (e.g., MOF/STA PN [2023] No. 7 (PN 7, i.e., PN regarding further optimizing the policy on super deduction of research and development expenditures).

Relevant taxpayers are encouraged to read the 2023 Summary for more details so as to better leverage these preferential policies offered.

You can click this link to access the full contents of the 2023 Summary:

<http://ypt.qingdao.chinatax.gov.cn/ebook/2023yxhwssfyhzchb/mobile/index.html>

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 PN 7:

http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874849.htm

- ▶ **Provisional Implementation Measures of Dongguan on Financial Subsidies related to the Individual Income Tax (IIT) Preferential Policies for the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) (Dongcagui [2023] No. 3)**
- ▶ **Guidelines of Dongguan on the recognition of overseas urgently-needed talents and the application for the IIT subsidies**

Synopsis

According to Caishui [2023] No. 34 (Circular 34, i.e., PN regarding the extension of the preferential IIT policy for the GBA), overseas high-end and urgently needed talents who work in the GBA shall be eligible for a financial subsidy to cover the portion of their IIT paid in the nine Mainland GBA cities¹ that exceeds 15% of their taxable income until 31 December 2027. The financial subsidy (hereinafter referred to as the “IIT subsidy”) paid to the individuals shall be exempt from IIT.

In this regard, the competent government authorities in Dongguan released Dongcagui [2023] No. 3 (Circular 3, i.e., Provisional Implementation Measures of Dongguan on Financial Subsidies related to the IIT Preferential Policies for the GBA) and the “Guidelines of Dongguan on the recognition of overseas urgently-needed talents and the application for IIT subsidies” (hereinafter referred to as the “Dongguan Guidelines”) respectively on 1 November 2023 and 15 November 2023 to launch the application for 2021 and 2022.

Key features are as follows:

- ▶ Applicants who derived consolidated income and operating income in 2021 and 2022 or their withholding agent should access the official website of Guangdong Government Services to lodge the application and submit the relevant documentations from 15 November 2023 to 25 December 2023. The retroactive application for year 2020 shall be accepted at the same time.
- ▶ The maximum amount of IIT subsidy per taxpayer per tax year shall not exceed RMB5 million.

Notably, similar to the regulations in Shenzhen and Huizhou, applicants are required to meet the minimum working day requirement of 90 for each of the years 2020, 2021, and 2022 in Dongguan.

Circular 3 is effective from the date of its issuance, i.e., 1 November 2023 until 31 December 2025.

Applicants are encouraged to read Circular 3 and Dongguan Guidelines for details and assess if they are qualified for the subsidy before lodging the applications. If in doubt, consultations with professionals are always recommended.

¹ The nine cities refer to Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province.

You can click this link to access the full contents of Circular 3:
<http://dgstb.dg.gov.cn/attachment/0/218/218194/4102979.pdf>

You can click this link to access the full contents of the Dongguan Guidelines:
http://dghrss.dg.gov.cn/xwzx/gsgg/tzgg/content/post_4105693.html

You can click this link to access the full contents of Circular 34:
<https://www.chinatax.gov.cn/chinatax/n363/c5211160/content.html>

Business circulars

- ▶ **Notice regarding taking measures to ensure equal treatment of domestic and foreign investors in accessing the Chinese market (Shangbanzihan [2023] No. 496)**
- ▶ **Notice regarding further improving the implementation of tax reduction and exemption policies on importation of equipment by foreign investment enterprises engaging in encouraged projects (Shangbanzihan [2023] No. 510)**

Synopsis

To improve the business environment and promote high-level opening-up, the General Office of the Ministry of Commerce (MOFCOM) issued Shangbanzihan [2023] No. 496 (Circular 496) on 8 November 2023 to tidy up regulations and measures containing unreasonable differential treatment between domestic and foreign investment.

The scope of the exercise shall include the following:

- ▶ Prevailing laws, regulations, normative documents, and other policy measures issued by the local people's governments and government authorities.
- ▶ Various measures related to operational business entities formulated by local people's governments, directly affiliated public institutions and business-oriented social organizations.

Specifically, the items to be cleaned up mainly include the following:

- ▶ Restrictive measures against foreign investment in terms of equal access, such as imposing stricter requirements on foreign investment enterprises (FIEs) compared to domestic enterprises related to applying for certain administrative licenses.
- ▶ Excluding or discriminating against FIEs and their products or services based on "brand" limitations or the classification of "foreign-branded" products, as well as imposing additional conditions on policies for FIEs and their products or services. For instance, certain regions may have introduced policies to promote the consumption of domestically branded new energy vehicles.
- ▶ Excluding or restricting the participation of FIEs in local bidding, government procurement, and other activities through measures such as limiting ownership forms.
- ▶ Indirectly discriminating against FIEs in policy implementation, for example, FIEs in certain regions are not able to equally benefit from local financial subsidy policies as only state-owned and domestic private enterprises in these areas would be notified to apply for financial supports.
- ▶ Excluding or discriminating against FIEs and their products or services by public institutions and social organizations.
- ▶ Other regulations and measures that may contain unreasonable differential treatment between domestic and foreign investment.

On the other hand, the MOFCOM also released Shangbanzihan [2023] No. 510 (Circular 510) on 8 November 2023 regarding further improving the implementation of tax reduction and exemption policies on importation of equipment by FIEs engaging in encouraged projects.

The issuance of the abovementioned circulars aims to strictly implement the Foreign Investment Law and consistently advancing the rule of law in the field of foreign investment. Relevant foreign investors and businesses are encouraged to read Circulars 496 and 510 for more details.

You can click this link to access the full contents of Circular 496:

<http://www.mofcom.gov.cn/article/zcfb/zcwgtz/202311/20231103452139.shtml>

You can click this link to access the full contents of Circular 510:

<http://www.mofcom.gov.cn/article/zcfb/zcwgtz/202311/20231103454063.shtml>

Customs circulars

► **PN regarding streamlining certain processes under processing trade (GAC PN [2023] No. 166)**

Synopsis

To promote optimization and upgrading of trade in goods and further utilize processing trade to stabilize economy, foreign trade and employment, General Administration of Customs (GAC) released GAC PN [2023] No. 166 ("PN 166") on 14 November 2023.

The measures proposed in PN 166 mainly include extending the deadline for centralized declaration of deep processing transits, optimizing the administration of finished product export refunds and replacements under processing trade, simplifying centralized domestic sales procedures, and streamlining procedures for domestic procurement equipment exiting the customs supervision zones, etc.

Relevant businesses are encouraged to read PN 166 for more details.

You can click this link to access the full contents of PN 166:

<http://gdfs.customs.gov.cn/customs/302249/2480148/5494187/index.html>

► **Notice on Public Consultation for the "Discussion Draft of the Revised Customs Law of the People's Republic of China (PRC)"**

Synopsis

On 10 November 2023, the GAC released the "Discussion Draft of the Revised Customs Law of the PRC" (hereinafter referred to as the "Discussion Draft") on its official website to seek public opinion. The consultation of public opinion shall be opened until 10 December 2023.

The Discussion Draft consists of 113 articles in 10 chapters, i.e., the general principles, customs enforcement measures and enforcement supervision, customs risk management, administration of enterprises, inbound and outbound transportation, inbound and outbound goods, Customs Duty and customs guarantees, legal responsibilities, among other aspects.

It is worth-noting that a new provision on international cooperation, namely Article 11, has been added to the Discussion Draft. According to Article 11, customs shall engage in information sharing, data exchange, administrative assistance, mutual recognition of certified operators, external territory inspections, and anti-smuggling efforts based on treaties ratified or acceded to by the PRC, or on the basis of reciprocity and mutual benefit.

Concerned businesses are encouraged to read the Discussion Draft and submit their feedback by 10 December 2023, either by mail, email to hgfg@customs.gov.cn, or by visiting <http://www.customs.gov.cn>.

You can click this link to access the full contents of the Discussion Draft:

<http://www.customs.gov.cn/customs/302452/302329/zjz/5485994/index.html>

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

- ▶ **Notice regarding the updated list of online tax services**
<https://fgk.chinatax.gov.cn/zcfgk/c102424/c5216392/content.html>
- ▶ **Notice on Public Consultation for the “Discussion Draft of Administrative Regulations for Domestic Securities and Futures Investment Funds of Foreign Institutional Investors”**
<https://www.safe.gov.cn/safe/2023/1110/23453.html>
- ▶ **Notice on Public Consultation for the “Discussion Draft of Administrative Measures for Foreign Exchange Exhibition Business of Banks (Trial)”**
<http://www.safe.gov.cn/safe/2023/1110/23454.html>
- ▶ **PN on the Adjustment of Compulsory Product Certification Requirements for Imported Information Technology Equipment in Certain Pilot Free Trade Zones and Free Trade Ports (SAMR/GAC PN [2023] No. 47)**
https://www.samr.gov.cn/zw/zfxxgk/fdzdqknr/rzjgs/art/2023/art_8d1f1b3fe4f9449799a2600888878f74.html
- ▶ **Notice regarding public opinions consultation on the “Provisional Measures for Data Security Administration of Accounting Firms (Discussion Draft)” (Caibankuai [2023] No. 26)**
http://kjs.mof.gov.cn/gongzuotongzhi/202311/t20231113_3916037.htm
- ▶ **Notice regarding promoting and replicating the innovative measures and practices adopted in Shenzhen (Fagaitigai [2023] No. 1447)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202311/t20231116_1361995.html
- ▶ **Provisional measures for the supervisory rating of trust companies (Jingui [2023] No. 11)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1136718>
- ▶ **Notice regarding public opinions consultation on the “Guidelines for Foreign Exchange Business under Capital Accounts (2023 Version) (Discussion Draft)”**
<http://www.safe.gov.cn/safe/2023/1116/23484.html>



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