

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

- ▶ **Public notice (PN) regarding the lists of charitable social organizations (CSOs) through which charitable donations made are deductible for income tax purposes for the years 2023-2025 and 2024-2026 (MOF/STA/MCA PN [2023] No. 76)**

Synopsis

According to the prevailing CIT Law and its implementation regulations as well as MOF/STA/MCA PN [2020] No. 27 (PN 27, i.e., PN regarding matters related to the deduction of charitable donations for CIT and Individual Income Tax (IIT) purposes), once approved, the status of CSOs through which charitable donations made are deductible for CIT and IIT purposes shall be applicable nationwide and valid for three years.

On 29 December 2023, the MOF, STA, and Ministry of Civil Affairs (MCA) jointly released MOF/STA/MCA PN [2023] No. 76 (PN 76) to announce the lists of CSOs through which charitable donations made are deductible for income tax purposes for the years 2023-2025 and 2024-2026.

According to PN 76, the lists of qualifying CSOs include 23 organizations (e.g., the China Film Foundation, China Space Foundation, China Internet Development Foundation and China Association for NGO Cooperation) for the years 2023-2025 and two organizations (i.e., the Henan University Education & Development Foundation and China Charity Alliance) for 2024-2026 respectively.

Taxpayers who made charitable donations should observe the approved CSO lists to claim for income tax deductions.

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

https://www.gov.cn/zhengce/zhengceku/2020-05/21/content_5513474.htm

You can click this link to access the full contents of PN 76:

<https://www.mca.gov.cn/n152/n165/c1662004999979997002/content.html>

- ▶ **Notice issued by the Economic Development Bureau of the Guangdong-Macau In-Depth Cooperation Zone in Hengqin (Hengqin) regarding the commencement of application for the preferential Individual Income Tax (IIT) policies for high-end and urgently-needed talents in Hengqin for the year 2023**
- ▶ **Guidelines on the application for preferential IIT policies for high-end and urgently-needed talents for the year 2023 in Hengqin**

Synopsis

According to Caishui [2022] No. 3 (Caishui Circular 3, i.e., Notice regarding the preferential IIT policy for Hengqin) and Yueaoshenheguanmi [2023] No. 3 (Circular 3, i.e., Provisional Measures of Hengqin on the Lists of Administration of High-end and Urgently-needed Talents who are eligible for Preferential IIT Policies), qualifying individuals are eligible for the following IIT preferential treatments:

- ▶ For domestic and overseas high-end or urgently-needed talents working in Hengqin, their IIT burden exceeding 15% shall be exempted.
- ▶ For IIT imposed on Macau residents working in Hengqin that exceeds the tax burden in Macau, the excess shall be exempted.

Accordingly, the Economic Development Bureau of Hengqin released a notice regarding commencement of application for the preferential IIT policies for high-end and urgently-needed talents in Hengqin for the year 2023 (hereinafter referred to as the "Notice") and guidelines on this application (hereinafter referred to as the "Guidelines") on 8 January 2024 and 15 January 2024 respectively, to specify the matters related to the application in Hengqin for year 2023.



Key features are as follows:

Items	Details
Timeframe for application	The application period is from 15 January 2024 to 1 March 2024.
Application requirements for employers	Employers should meet all the following conditions: <ul style="list-style-type: none"> ▶ Employers are enterprises or institutions that should be registered or relocated according to laws and have actual business premises in Hengqin in 2023; ▶ The employers should be under the industries as prescribed in the Catalogue of Encouraged Industries in Hengqin (hereinafter referred to as the “Hengqin Catalogue”) or in the public management and service industries that facilitate the livelihood and employment of Macau residents. ▶ The employers should substantively operate in Hengqin as prescribed in PN regarding matters related to substantive operations of qualified industrial enterprises in Hengqin (hereinafter referred to as the “Hengqin PN”).
Application requirements for applicants	Applicants should meet all the following conditions: <ul style="list-style-type: none"> ▶ Applicants should be high-end or urgently-needed talents who actually work in Hengqin; ▶ Applicants have signed a labor/service contract before 30 June 2023 for more than one year with the enterprises or institutions that substantively operate in Hengqin; ▶ Applicants have paid social insurance for at least six months in Hengqin in 2023 (must include December 2023 and there are no situations such as single payment or payment of social insurance in two places), except for those being exempt from mainland social insurance or reaching the statutory retirement age.

It is worth noting that applicants should cooperate with their qualifying employers to apply for the preferential IIT policies. Applicants are not eligible for the application if their employers do not meet the application requirements.

Relevant employers and individual taxpayers are advised to read the abovementioned circulars for details and act accordingly and promptly. If in doubt, consultations with professionals are always recommended.

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

https://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3621195.html

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

https://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3623627.html

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

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

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

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/hqzc/rczc/content/post_3511338.html

You can click this link to access the full contents of the Hengqin Catalogue:

https://www.gov.cn/zhengce/zhengceku/2023-04/04/content_5749948.htm

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

https://guangdong.chinatax.gov.cn/gdsw/zhhqsw_tzgg/2023-02/17/content_680cf0a9e5414af8a233261227b5a5c8.shtml

► Pilot Measures of Shenzhen on Qualified Foreign Limited Partnership (QFLP)

Synopsis

According to the “Regulations on the Supervision and Administration of Private Investment Funds”, Guofa [2023] No. 11 (Circular 11, i.e., the “Opinions of the State Council on Further Optimizing the Foreign Investment Environment and Increasing the Attraction of Foreign Investment”) and other related regulations, the Shenzhen Municipality Financial Supervision and Administration Bureau revised and issued the “Pilot Measures of Shenzhen on QFLP” (hereinafter referred to as the “Pilot Measures”) on 5 January 2024.

The release of the “Pilot Measures” aims to further optimize the foreign investment environment, increase the attraction of foreign investment, encourage and guide QFLP to promote the development of Shenzhen’s equity investment and venture capital fund market, and enhance the level of two-way financial openness.

Key features of the Pilot Measures:

- Clearly supporting pilot work in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai) and Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone (Hetao)¹:
 - Encouraging Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai) to explore the cross-border private equity mechanism with Hong Kong in an orderly manner, formulating supporting guidelines for Hong Kong investors, implementing a higher-level and deeper-level trial of cross-border equity investment facilitation, and giving priority to support private equity funds registered under the limited partnership system in Hong Kong to be qualified for the QFLP pilot.
 - Promoting the participation of Hetao in the QFLP pilot.
- Clearly defining the total management of pilot funds. Qualified pilot fund management companies can initiate the establishment of one or more pilot funds within the total amount, with flexible adjustments to the size of a single pilot fund.
- Further expanding the investment scope of pilot funds

The investment scope of pilot funds is explicitly defined as “equity of unlisted companies, non-public issuance and trading of ordinary shares of listed companies, including targeted issuance of new shares, bulk transactions, agreement transfers, and preferred shares and convertible bonds that can be converted into ordinary shares, participation in rights issues as original shareholders of listed companies, investment in non-performing assets, providing management consulting services to invested enterprises, and other businesses permitted by laws and regulations.” Pilot funds are allowed to be operated in the form of Fund of Funds (FOF), further expanding the investment scope and increasing the attractiveness of the pilot.

- Further streamlining the application process

In principle, starting from the submission of the required application materials by enterprises to the designated platform of the Shenzhen Municipal Financial Supervision and Administration Bureau, a joint review will be completed within 10 working days.

Relevant investors and businesses are encouraged to read the Pilot Measures for more information and review whether some of the changes would be helpful for their investment strategies.

¹ The Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone is located in the border area between the northern part of Hong Kong Special Administrative Region and the southern-central part of Shenzhen. The Shenzhen section of the zone covers an area of 3.02 square kilometers. Its development positioning is to serve as a pilot zone for Shenzhen-Hong Kong scientific and technological innovation cooperation, an pilot zone for advanced international scientific and technological innovation rules, and a clustering zone for pilot transformation in the Guangdong-Hong Kong-Macau Greater Bay Area.

You can click this link to access the full contents of the Pilot Measures:
http://jr.sz.gov.cn/sjrb/xxgk/zcfg/dfjzrc/jrfzcc/content/post_11089148.html

You can click this link to access the full contents of the Regulations on the Supervision and Administration of Private Investment Funds:

https://www.gov.cn/zhengce/content/202307/content_6890738.htm

You can click this link to access the full contents of Circular 11:

https://www.gov.cn/zhengce/content/202308/content_6898048.htm

▶ **Notice issued by the General Office of People's Government of Shanghai regarding "Certain Measures for Further Promoting the High-quality Development of the Equity Investment Sector in Shanghai" (Hufubangui [2023] No. 29)**

Synopsis

To implement the "Regulations on the Supervision and Administration of Private Investment Funds" and leverage the role of equity investment in serving the real economy and promoting scientific and technological innovation, the general office of the Shanghai Municipal People's Government issued the "Certain Measures for Further Promoting the High-quality Development of the Equity Investment Sector in Shanghai" (hereinafter referred to as the "SH Measures") via Hufubangui [2023] No. 29 on 29 December 2023.

The SH Measures consist of 32 articles in nine sections, with notable contents including:

- ▶ Optimizing equity investment institution establishment services and industry management, such as coordinating industry development and regulation, attracting equity investment, establishing fast-track mechanisms for high-quality fund managers to set up new equity investment funds, and improving industry management.
- ▶ Guiding investment in early, small, and sci-tech companies through government guidance funds, angel investment platforms, and encouraging social capital, etc.
- ▶ Smoothing equity investment exits by improving efficiency for mergers & acquisitions or restructuring, easing domestic and overseas initial public offering (IPO) channels, enhancing fund interest transfer platforms, promoting secondary market funds (S funds) development, and piloting distributions in kind.
- ▶ Implementing fiscal and taxation incentives, including connecting with existing preferential tax policies for venture capital industry (e.g., pilot CIT policies for corporate venture capital enterprises in the specific areas of Shanghai Pudong New Area and IIT preferential treatments for qualifying individual partners), establishing information sharing mechanisms among the securities regulatory, national development and reform, and taxation authorities. In addition, equity investment cluster areas shall be encouraged to provide staged performance awards and subsidies for recognized venture capital enterprises or individual partners, to guide long-term investments.
- ▶ Promoting coordinated innovation through Shanghai sci-tech financial reform pilot zone, leveraging the synergies between Shanghai as an international financial center and a sci-tech innovation center, supporting equity investment fund manager IPOs, bond issuance, investment-lending innovations, and deepening QFLP pilots.

Overall, the SH Measures aim to boost Shanghai's equity investment industry through optimizing industry policies, attract investment, and promote innovation synergies between the financial and technology sectors. 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 SH Measures:

<https://www.shanghai.gov.cn/nw12344/20240110/495d583db2ae46d899884dd16d8c4ce0.html>

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

- ▶ **Opinions on financial support for the housing rental market (Yinfa [2024] No. 2)**
<https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1146190>
- ▶ **“Data Element X” Three-Year Action Plan (2024-2026) (Guoshuzhengce [2023] No. 11)**
<https://mp.weixin.qq.com/s/YyhLQo4IZIFNMiyupdvO1A>
- ▶ **Implementation plan for promoting common prosperity through digital economy (Fagaishuju [2023] No. 1770)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202401/t20240105_1363120.html
- ▶ **PN regarding public opinions consultation on the “Administrative Measures for Financial Leasing Companies (Discussion Draft)”**
<https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1145896&itemId=925&generaltype=0>
- ▶ **Opinions on relaxing market access and promoting the reform of supervision system in Guangzhou Nansha (Fagaitigai [2023] No. 1786)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202401/t20240109_1363153.html
- ▶ **Notice regarding certain measures for supporting Fujian Province in exploring new paths for cross-Straits integrated development**
<http://tga.mofcom.gov.cn/article/zwxx/202401/20240103465291.shtml>
- ▶ **Decisions on the revisions to the “Administrative Measures for Commercial Franchise Record Filing” (MOFCOM PN [2023] No. 3)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202401/20240103464579.shtml>
- ▶ **Guiding opinions on enhancing the administration of data assets (Caizi [2023] No. 141)**
https://zcgls.mof.gov.cn/zhengcefabu/202401/t20240111_3925710.htm
- ▶ **Catalog of Goods Subject to Automatic Import Permit Administration (2024) (MOFCOM/GAC PN [2023] No. 62)**
https://doc.jiangsu.gov.cn/art/2024/1/10/art_78712_11121545.html
- ▶ **PN regarding the simplification of requirements on the declaration of duty-free /bonded goods in Hengqin (GAC PN [2024] No. 4)**
<http://www.customs.gov.cn/customs/302249/302266/302267/5624284/index.html>



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