

TAX LAW

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

- ▶ Notice regarding adjusting the scope of goods subject to export Value-added Tax (VAT) and Consumption Tax (CT) refunds in Guangdong-Macau In-depth Cooperation Zone in Hengqin (Caishui [2024] No. 1)

Synopsis

To implement the Overall Plan for Building the Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as the "Overall Plan"), the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly issued Caishui [2024] No. 1 (Circular 1) on 11 January 2024 to specify the adjustment of the scope of goods eligible for export VAT and CT refunds in the Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as "Hengqin").



Key features of Circular 1 are as follows:

Domestic goods entering Hengqin through the “second line”¹ are deemed as exports and are eligible for export VAT and CT refund policies. However, the following goods are excluded:

- Export goods that the MOF and STA have stipulated as not applicable for VAT refund (exemption) and tax exemption policies.
- Other domestic goods sold to Hengqin that are not eligible for refunds as specified in the attachment of Circular 1.
- Goods purchased by enterprises whose eligibilities of tax refund or exemption have been cancelled according to relevant regulations.

Circular 1 shall come into effect on the date when the relevant supervisory facilities in Hengqin are qualified for acceptance and Hengqin is officially closed for operation. The implementation date of the VAT and CT refund policies shall be based on the export date stated on the declaration form for export goods.

The detailed administrative measures for VAT and CT refunds as stipulated in Circular 1 shall be implemented in accordance with the prevailing policies.

¹ According to the Overall Plan, which covers the customs special supervision area between the “first line” and the “second line” of Hengqin Island. Among them, the “first line” refers to the boundary between Hengqin and Macau Special Administrative Region, while the “second line” refers to the customs areas between Hengqin and the rest of the Chinese mainland.

You can click this link to access the full contents of Circular 1:

https://szs.mof.gov.cn/zhengcefabu/202401/t20240115_3925944.htm

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

https://www.gov.cn/zhengce/2021-09/05/content_5635547.htm

► Tax policy guidelines for stabilizing foreign trade and foreign investment (2024)

Synopsis

To fully leverage the role of tax support in stabilizing foreign trade and foreign investment and to provide taxpayers with more certainty in terms of the application of various tax preferential policies, the STA released the tax policy guidelines for stabilizing foreign trade and foreign investment (2024) (hereinafter referred to as the “2024 Guidelines”) on 16 January 2024 which cover 51 items of tax preferences for foreign trade and foreign investments under the following sections:

Foreign trade

- Tax policies for goods and services
- VAT policies for cross-border taxable services
- Tax policies for new forms and models of foreign trade
- Facilitation measures for export tax refund (exemption)

Foreign investments

- Tax policies related to promotion of foreign investments
- Tax policies related to attraction of foreign individuals
- Tax policies related to the open-up of financial market

The 2024 Guidelines update the tax policies on top of the “Guidelines of tax policies for stabilizing foreign trade and foreign investment (2022)” (hereinafter referred to as the “2022 Guidelines”). The appendix of the 2024 Guidelines sets out each item of tax preference with the scope of applicable taxpayers, details of the preferences, criteria and the legal basis, as well as a summary of all relevant preferential policies. Notably, six tax policies related to attraction of foreign individuals (e.g., the preferential IIT policy for the Guangdong-Hong Kong-Macau Greater Bay Area (GBA)), and the IIT policies for supporting the open-up of the crude oil futures market (i.e., income derived by overseas individual investors from trading of crude oil futures that are opened to overseas investors as approved by the State Council shall be temporarily exempted from IIT), are newly introduced in the 2024 Guidelines.

This 2024 Guidelines may be served as a useful toolkit for relevant taxpayers to quickly locate the applicable tax preferences and assess whether they are eligible to such preferences. Related taxpayers are encouraged to read the 2024 Guidelines for more details and fully leverage these benefits. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of the 2024 Guidelines:

<https://fgk.chinatax.gov.cn/zcfgk/c100022/c5220505/content.html>

You can click this link to access the full contents of the 2022 Guidelines:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5175739/content.html>

- Notice regarding certain administrative matters related to cross-border tax payments and refunds (Yinfa [2024] No. 4)

Synopsis

On 14 January 2024, the People's Bank of China (PBOC), MOF and STA jointly released Yinfa [2024] No. 4 (Circular 4) to further regulate the cross-border tax payment and refund process, improve the efficiency of budget fund collection and payment, and increase the convenience of cross-border tax payments.

According to Circular 4, in view of the gradually increasing demand of RMB cross-border tax payment services in recent years, the scope of cross-border tax payment and refund business undertaken by tax authorities would be expanded to the payment of taxes, non-tax revenue, and social insurance premiums, as well as corresponding tax and non-tax revenue refund business.

Circular 4 clarified the process, use of accounts, information reporting requirements and other aspects under different methods for cross-border tax payment and refund business in all currencies including RMB, and improved the institutional basis for cross-border tax payment and refund business in various currencies.

Going forward, the PBOC, MOF, and STA will guide the local competent authorities to work together and effectively safeguard cross-border tax and fee funds, ensuring timely payment and refund, and strive to continuously improve service quality and efficiency.

You can click this link to access the full contents of Circular 4:

<http://www.pbc.gov.cn/tiaofasi/144941/3581332/5208868/index.html>

Business circular

- Administrative Measures for Charitable Donation Receipts (Caizong [2024] No. 1)

Synopsis

To strengthen financial supervision and administration of charitable donation income, the MOF issued the Administrative Measures for Charitable Donation Receipts (hereinafter referred to as the “Administrative Measures”) via Caizong [2024] No. 1 on 13 January 2024. The Administrative Measures will come into effect on 1 February 2024.

The Administrative Measures clarified that the electronic and paper versions of charitable donation receipts shall have equal legal effect and serve as the basis for supervision and inspection by financial, taxation, audit, and supervision departments. Charitable donation receipts can be used as valid evidence for donors to make external donations and tax deductions in accordance with relevant national regulations.

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

https://www.gov.cn/zhengce/zhengceku/202401/content_6927339.htm

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

- ▶ Notice of Zhongshan regarding the commencement of application for financial subsidies related to the preferential IIT policy in the GBA (Zhongcaifa [2024] No. 1)
https://guangdong.chinatax.gov.cn/gdsw/zssw_gkwj/2024-01/15/content_8bf457a23aef4810be995fe2e2c74913.shtml
- ▶ Notice regarding the establishment of a financing coordination mechanism for the real estate sector (Jianfang [2024] No. 2)
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1147470>
- ▶ Notice regarding improving financial services for technology-based enterprises
<https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1147325>
- ▶ Regulations on the Prevention and Investigation of Illegal Acts of Counterfeit Enterprise Registration (SAMR Order [2024] No. 88)
https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2024/art_d4eb07da7f4c45df94f68624d465846f.html
- ▶ Measures for Administrative Penalties in the Coal Industry (NDRC Order [2023] No. 9)
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202401/t20240116_1363292.html
- ▶ Notice regarding the commencement of the 2023 statistical survey
<http://www.chinatorch.gov.cn/kjb/tzgg/202401/a2d0fbe686b84ac4b7db6fea98accfde.shtml>
- ▶ Guiding opinions on further simplifying administrative procedures to optimize government services (Guofa [2024] No. 3)
https://www.gov.cn/zhengce/content/202401/content_6926255.htm
- ▶ Public notice regarding the adjustments to the legal documents and forms related to administrative reconsideration (GAC PN [2024] No. 6)
<http://www.customs.gov.cn/customs/302249/302266/302267/5626981/index.html>



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