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# 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 on extending preferential tax policies for imported exhibits sold during the China Import and Export Fair (CIEF)**

### Synopsis

Recently, the Ministry of Finance (MOF), General Administration of Customs, and State Taxation Administration (STA) jointly issued *Caiguanshui [2024] No. 10 (Circular 10)*, extending the preferential tax policies for imported exhibits previously outlined in *Circular Caiguanshui [2023] No. 5 (Circular 5)*.

Key points of the preferential tax policies:

- ▶ Preferential tax treatments: sales of imported exhibits within the duty-free quota during the CIEF 2024 and 2025 will be exempt from import duties, import-level Value-added Tax and Consumption Tax
- ▶ Eligible imported exhibits: the scope of exhibits eligible for the preferential policies remains the same as those listed in Circular 5. Notably, certain imported goods such as tobacco, alcohol and automobiles do not qualify for these exemptions

You can click this link to access the full contents of the Circular 10:

[https://www.gov.cn/zhengce/zhengceku/202405/content\\_6950570.htm](https://www.gov.cn/zhengce/zhengceku/202405/content_6950570.htm)

You can click this link to access the full contents of the Circular 5:

[https://www.gov.cn/zhengce/zhengceku/2023-04/16/content\\_5751751.htm](https://www.gov.cn/zhengce/zhengceku/2023-04/16/content_5751751.htm)

▶ **Public notice on clarifying certain issues related to the preferential Corporate Income Tax policies in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone**

**Synopsis**

Effective from 1 January 2023 to 31 December 2025, qualifying enterprises established within the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone (Qianhai Zone) can benefit from a reduced Corporate Income Tax (CIT) rate of 15% (Caishui [2024] No. 13).

Recently, eight government authorities in Shenzhen jointly issued public notice (PN) [2024] No. 1 (PN 1) clarifying the substantive operation criteria for enjoying such preferential CIT policies.

The criteria for substantial operations, as detailed in the newly issued PN1 compared to those stipulated in the 2023 PN No. 4, remain largely unchanged. Specifically, substantial operations typically require that production and business activities, personnel, accounting, and assets all be conducted within the Qianhai Zone.

According to the official interpretation of PN 1, enterprises that exhibit any of the following characteristics are considered non-compliant with the substantial operations requirement:

- ▶ Lacking production and operational functions, solely performing financial settlements, tax filings, and invoice issuance for businesses conducted outside the Qianhai Zone
- ▶ Having a registered address that does not match the actual operating address, and either cannot be contacted or fails to provide a verifiable operating address upon contact

Enterprises wishing to avail themselves of these tax incentives should self-assess compliance, declare their eligibility, and retain relevant documentation for follow up inspection. Tax authorities will conduct comprehensive audits on all newly qualified enterprises each year and sample audits on existing enterprises.

The primary update in the 2024 Public Notice, as compared to the 2023 version, is the inclusion of the Shenzhen Bao'an Tax Bureau, alongside the Shenzhen Qianhai Tax Bureau, as the in-charge tax authorities.

PN 1 has been retroactively effective since 1 January 2023. Taxpayers are advised to thoroughly review the detailed provisions. For any uncertainties, consulting with tax professionals is recommended.

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

<https://shenzhen.chinatax.gov.cn/qhswj/tzgg/202405/1a3a8815c3e74f8b85ab49f6de6fae0b.shtml>

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

<https://shenzhen.chinatax.gov.cn/sztax/xxgk/tzgg/202306/2992b74cbf0f411f81685da5652857f4.shtml>

You can click this link to access the full contents of Circular 13:

<http://szfb.sz.gov.cn/attachment/1/1438/1438859/11249574.pdf>

## ▶ **Application Guidelines of the Financial Subsidies on 2023 Individual Income Tax (IIT) for Overseas High-end and High-demand Talents in Shenzhen**

### **Synopsis**

China will continue implementing the IIT preferential policy for the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) until the end of 2027. The policy subsidizes the tax burden difference between the mainland China and Hong Kong IIT rates (specifically, the tax amount paid exceeding 15% of the taxable income). This subsidy, which is exempt from IIT, applies to overseas (including Hong Kong, Macau, and Taiwan) high-end and high-demand talents working across the nine cities of the Greater Bay Area.

Recently, relevant Shenzhen municipal government departments have released the “Application Guidelines of the financial subsidies on 2023 Individual Income Tax (IIT) for Overseas High-end and High-demand Talents in Shenzhen” (the Guidelines), detailing the application process for these subsidies.

- ▶ Starting 15 May 2024, applicants should submit their application materials for review to their employers through the Guangdong Provincial Government Services Website (<https://www.gdzwfw.gov.cn/>). After reviewing the materials and providing a written statement and commitment, the employer shall submit the application through the system by 15 June 2024
- ▶ An applicant who are reporting income from personal services may apply independently. Nevertheless, if the tax amount paid includes IIT from wages or salaries, the application must be processed through the employer

*Note: the nine GBA 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 the Guidelines:

[https://www.sz.gov.cn/cn/xxgk/zfxxgj/tzgg/content/post\\_11292896.html](https://www.sz.gov.cn/cn/xxgk/zfxxgj/tzgg/content/post_11292896.html)

## **Business circulars**

### ▶ **Provisional Regulations on Combating Illicit Practices in the Digital Marketplace**

#### **Synopsis**

In an effort to promote the regulated and sustainable growth of the digital economy, the State Administration for Market Regulation (SAMR) issued SAMR Order [2024] No. 91, titled “Provisional Regulations on Combating Illicit Practices in the Digital Marketplace,” on 6 May 2024.

Order 91, consisting of five chapters and 43 articles, addresses and defines various illicit practices within the digital marketplace, such as false advertisement and illegal data acquisition. It also outlines the responsibilities for regulatory enforcement and the legal consequences for violations. Digital market operators facing non-compliance may be subject to fines, penalties, and potential litigation.

Order 91 will take effect on 1 September 2024.

You can click this link to access the full contents of Order 91:

[https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2024/art\\_80019fe59e464196bef173dc56678a42.html](https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2024/art_80019fe59e464196bef173dc56678a42.html)

► **Notice on the initiative to clean up laws, regulations, and policies resulting in unequal treatment of enterprises**

**Synopsis**

On 11 May 2024, the National Development and Reform Commission (NDRC) issued a public notice (NDRC Notice ), requesting submissions that identify laws, regulations, and policies (Policies) having led to unequal treatment of enterprises.

The focus will be on identifying and addressing policies that:

- restrict market access and exit
- impede the equal access to and free flow of elements (such as capital, land, and talents), and the free flow of goods and services
- influence production and operational costs, such as unlawful preferential tax and non-tax incentives granted to specific enterprises
- affect enterprise operations, such as illegal demands for disclosure or mandated disclosure of sensitive operational information
- involve discriminatory administrative monitoring and enforcement practices, such as biased inspections and penalties

Stakeholders can submit relevant issues via email to fgql@chinalaw.gov.cn until 30 September 2024.

It is anticipated that relevant departments will soon publish a list of policies to be reviewed and potentially abolished. We will monitor these developments closely and provide timely updates.

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

[https://www.ndrc.gov.cn/xwdt/tzgg/202405/t20240511\\_1382132.html](https://www.ndrc.gov.cn/xwdt/tzgg/202405/t20240511_1382132.html)

► **Joint Statement Between the People's Republic of China and Hungary on Establishing an All-Weather Comprehensive Strategic Partnership for the New Era**

**Synopsis**

China and Hungary have issued a Joint Statement to elevate their relationship to an all-weather comprehensive strategic partnership for the new era.

The two nations have committed to deepening cooperation across several key sectors, including:

- Economic Cooperation: Enhance collaboration in emerging sectors such as clean energy, artificial intelligence, mobile communication technology and nuclear energy and technology
- Trade and Investment: Expand cooperation in the digital and green economies, cultivate new economic and trade growth areas, and work together to ensure the stability and security of industrial and supply chain
- Agricultural: Boost trade and investment cooperation between agricultural enterprises of both countries, increase market access, and promote the "small and beautiful" projects collaborations

- ▶ Finance: Further explore potential collaborations in green finance and support the establishment of Chinese financial institutions in Hungary, adhering to regulatory standards
- ▶ Tourism: Enhance policy coordination and communication in tourism, co-develop tourism routes, and create unique tourism products
- ▶ Sci-tech innovation: Strengthen the construction of joint scientific research platforms, and delve into cooperation in basic and applied research, as well as the commercialization of scientific and technological achievements
- ▶ Medical care: Promote cooperation in digital health, medical research and traditional medicine.

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

[https://www.mfa.gov.cn/zyxw/202405/t20240510\\_11302174.shtml](https://www.mfa.gov.cn/zyxw/202405/t20240510_11302174.shtml)

▶ **Special implementation plan for further enhancing attraction and utilization of foreign investment in Guangdong Province**

**Synopsis**

To further attract and utilize foreign investment, Guangdong Province has recently issued Circular Yueshangwuguizi [2024] No. 2 (Circular 2, the Plan), offering rewards to eligible foreign investment enterprises (FIEs), including Hong Kong, Macau and Taiwan-invested enterprises.

From 2023 to 2027, qualifying FIEs registered and established in Guangdong Province are eligible for the financial rewards. Notably, enterprises in the financial and real estate sectors are excluded from the scope of this policy.

| FIEs  | Cash rewards  |
|---|---|
| High-tech and other manufacturing FIEs                      | <ul style="list-style-type: none"> <li>▶ Maximum annual reward of RMB50 million</li> <li>▶ Up to a total of RMB150 million during the Plan's implementation period</li> </ul> |
| High-tech service industries and other sectors              | <ul style="list-style-type: none"> <li>▶ Maximum annual reward of RMB20 million</li> <li>▶ Up to a total of RMB80 million during the Plan's implementation period</li> </ul>  |
| Regional headquarters of foreign multinational corporations | <ul style="list-style-type: none"> <li>▶ A one-time reward of RMB5 million</li> </ul>   |

It is important to note that various local governments have introduced similar initiatives to attract foreign investment. Investors and businesses should pay close attention to local documents to fully benefit from these rewards. For any queries, consulting a tax professional is recommended.

You can click this link to access the full contents of Circular 2:

<https://com.gd.gov.cn/attachment/0/549/549176/4420453.pdf>

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

- ▶ **Handbook for Green and Low-Carbon Development of Foreign Trade Enterprises**  
<http://wms.mofcom.gov.cn/article/ztxx/myblh/202405/20240503508974.shtml>
- ▶ **Work plan on improving the diversified dispute resolution mechanism for securities and futures and advancing source governance**  
<http://www.csrc.gov.cn/csrc/c100210/c7480484/content.shtml>
- ▶ **Trial Provisions on Programmed Trading in the Securities Market**  
<http://www.csrc.gov.cn/csrc/c101954/c7480579/content.shtml>
- ▶ **Decision on amending the regulations on strengthening the supervision of listed securities companies**  
<http://www.csrc.gov.cn/csrc/c101954/c7479338/content.shtml>
- ▶ **Notice on amending and publishing the management regulations for alternative investment subsidiaries and private equity subsidiaries of securities companies, including applicable opinions**  
[https://www.sac.net.cn/tzgg/202405/t20240510\\_64060.html](https://www.sac.net.cn/tzgg/202405/t20240510_64060.html)
- ▶ **Public notice on standardizing the classification of medical equipment and devices**  
[https://www.gov.cn/zhengce/zhengceku/202405/content\\_6950906.htm](https://www.gov.cn/zhengce/zhengceku/202405/content_6950906.htm)
- ▶ **2024 Catalogue of Recommended Technologies and equipment for Energy Conservation and Carbon Reduction in Industry and Information Technology**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2024/art\\_28ce8b3d62454e05a2da551cfc1412e8.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2024/art_28ce8b3d62454e05a2da551cfc1412e8.html)
- ▶ **2024 Plan to Promote Intellectual Property Development**  
[https://www.gov.cn/zhengce/zhengceku/202405/content\\_6951322.htm](https://www.gov.cn/zhengce/zhengceku/202405/content_6951322.htm)
- ▶ **Provisional Measures for Data Security Management of Accounting Firms**  
<https://kjs.mof.gov.cn/zhengcefabu/202405/P020240510401071393462.pdf>
- ▶ **Public consultation on the "Administrative Measures for Market Supervision and Credit Repair Management (Consultation Draft)"**  
[https://www.samr.gov.cn/hd/zjdc/art/2024/art\\_acd82908124d44439675d45c2954e55c.html](https://www.samr.gov.cn/hd/zjdc/art/2024/art_acd82908124d44439675d45c2954e55c.html)

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