

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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Business circulars

- ▶ **Public notice (PN) regarding the public opinion consultation on the "Catalogue of Encouraged Industries in Western Regions (2020 Version, Discussion Draft)"**

Synopsis

To expedite the industrial restructuring and development of advanced industries in the western regions, the National Development and Reform Commission announced the Catalogue of Encouraged Industries in Western Regions (2020 Version, Discussion Draft) (hereinafter referred to as the "Draft 2020 Catalogue") on 12 August 2020. The Draft 2020 Catalogue was constituted based on the prevailing Catalogue of Encouraged Industries in Western Regions released via NDRC Order [2014] No. 15 (hereinafter referred to as the "2014 Catalogue") with certain revisions. (Please refer to CTIE2014035 for details of the 2014 Catalogue.)

Same as that of the 2014 Catalogue, the Draft 2020 Catalogue contains two parts:

- ▶ The prevailing encouraged industries in the existing national industrial catalogues, i.e., the Guiding Catalogue of Industrial Structure Adjustment (2019 Version) released via NDRC Order [2019] No. 29 and the Catalogues of Encouraged Industries for Foreign Investments (2019 Version) released via NDRC/MOFCOM Order [2019] No. 27 (Please refer to CTIE2019044 and CTIE2019026 for details of the afore-mentioned Catalogues.)
- ▶ The newly added encouraged industries for 12 provinces, autonomous regions and the directly governed city (hereinafter referred to as the “areas”) in western regions¹, except for those that are listed as restricted, obsoleted or prohibited in other relevant catalogues.

Under the premise of market access, in principle, the Draft 2020 Catalogue shall apply to all types of enterprises operating in the western regions. Among these, foreign investment enterprises should also observe the prevailing Catalogues of Encouraged Industries for Foreign Investments.

The revisions made in the Draft 2020 Catalogue aim to reflect the mainstream of supply-side structural reform, the strategy of expanding domestic demand, and promotion of deepened integration of primary, secondary, and tertiary industries in Rural Areas, as well as the development of modern manufacturing industry, strategic emerging industries, and modern services industry.

In general, the number of items of the newly added encouraged industries for each area in the Draft 2020 Catalogue have been increased comparing with that of the 2014 Catalogue. For instance, the number of items of newly added encouraged industries for Chongqing in the 2014 Catalogue was 32 while the Draft 2020 Catalogue has increased 45 items. It is also worthy to note that the Draft 2020 Catalogue has included artificial intelligence and construction of 5G as newly added encouraged industries for many locations.

According to MOF/STA/NDRC PN [2020] No. 23 (“PN 23”, i.e., PN regarding the extension of Corporate Income Tax (CIT) policy for the development of the western regions), from 1 January 2021 to 31 December 2030, enterprises that are established in the western regions and are engaging in the encouraged industries as indicated in the Catalog of the Encouraged Industries of the Western Regions and derive 60% of their income from the encouraged industries, are subject to CIT at a reduced rate of 15% (before 1 January 2021, such enterprises should have at least 70% of income derived from the encouraged industries’ business to enjoy the reduced CIT rate). Once the official version of updated Catalogue of Encouraged Industries in Western Regions is launched and become effective, both tax authorities and taxpayers shall determine taxpayers’ eligibility for the tax preferential treatment according to the scope of the updated Catalogue. (Please refer to CTIE2020018 for details of PN 23.)

Concerned enterprises should read the Draft 2020 Catalogue and are encouraged to express their opinions on or before 11 September 2020 by logging onto <http://www.ndrc.gov.cn>.

¹ The 12 areas of western regions refer to Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Xizang Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region (including the Xinjiang Production and Construction Corps), Inner Mongolia Autonomous Region and Guangxi Zhuang Autonomous Region. Besides the 12 areas, according to PN 23, enterprises of Xiangxi Tujia and Miao Autonomous Prefecture of Hunan Province, Enshi Tujia and Miao Autonomous Prefecture of Hubei Province, Yanbian Chaoxian Autonomous Prefecture of Jilin Province, Ganzhou of Jiangxi Province may also apply preferential CIT treatments of the Western Regions.

You can click this link to access the full content of the Draft 2020 Catalogue:
https://hd.ndrc.gov.cn/yjzx/yjzx_add.jsp?SiteId=342

You can click this link to access the full content of the 2014 Catalogue:
<http://www.sdpc.gov.cn/zcfb/zcfbl/201408/W020140822645483892093.pdf>

You can click this link to access the full content of the Guiding Catalogue of Industrial Structure Adjustment (2019 Version):
http://fgw.hunan.gov.cn/fgw/xxgk_70899/zcfg/gjifg/201911/t20191107_10510232.html

You can click this link to access the full content of the Catalogues of Encouraged Industries for Foreign Investments (2019 Version):
http://www.ndrc.gov.cn/zcfb/zcfbl/201906/t20190628_940276.html

You can click this link to access the full content of PN 23:
http://szs.mof.gov.cn/zhengcefabu/202004/t20200426_3504576.htm

► **Notice regarding the public opinion consultation on the “Administrative Review Procedures of the State Administration of Foreign Exchange (Discussion Draft)”**

Synopsis

To promote the administrative level of foreign exchange management, on 14 August 2020, the State Administration of Foreign Exchange (SAFE) released the “Administrative Review Procedures of the SAFE (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) on its official website to seek public opinions. The consultation of public opinions shall be opened until 12 September 2020.

Discussion Draft consists of 21 articles, which clarified the responsibilities of the administrative review authorities, the application, acceptance and decision procedures of administrative review, as well as other issues related to administrative review. According to the Discussion Draft, where the citizens, legal persons or other organizations consider their legal rights or interests have been infringed by specific administrative acts of the foreign exchange departments, they may apply for administrative review to relevant administrative review authorities within 60 days starting from the date when they know the specific administrative acts.

Concerned parties shall read the Discussion Draft for more details and are encouraged to express opinions on or before 12 September 2020 by sending mails/fax or emails to xzspxm@mail.safe.gov.cn.

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

<http://www.safe.gov.cn/safe/2020/0814/16886.html>

► **Action Plan for Accelerating the Construction of the Lin-gang Special Area According to the Instruction on the “Five Important” Goals (2020-2022)**

Synopsis

In order to implement President Xi Jinping’s instruction on the “Five Important” goals (i.e., “strive to build the Lin-gang Special Area into an important base for talents at home and abroad to gather and carry out international innovation and collaboration; an important hub for the overall development of onshore and offshore business; an important springboard for enterprises’ go global for development and growth; an important channel for better use of the two markets and two resources; and an important experimental field for participating in international economic governance”), on 20 August 2020, the Shanghai Municipal People’s Government released the Action Plan for Accelerating the Construction of the Lin-gang Special Area according to the Instruction on the “Five Important” Goals (2020-2022) (hereinafter referred to as the “Plan”).

Key features of the Plan are as follows:

General objective

The basic framework of the “Five Important” goals shall be built and a high-standard system for liberalization and facilitation of investment and trade shall be established by 2022, which will be a solid foundation for comprehensively achieving the “Five Important” goals by 2035.

Key measures

The Plan includes 42 specific measures on 14 key areas, among which key measures include:

- Build platforms for major technological innovation.
- Comprehensively improve the capability of intellectual property protection.
- Enhance the capability to attract domestic and overseas talents.
- Promote the development of industrial scale and level.
- Build distinctive brand parks.
- Make the effort to develop headquarters economy.
- Actively develop offshore trade, transit trade and service trade.

- ▶ Enhance the support for financial service sector.
- ▶ Actively develop high-end shipping service industry.
- ▶ Actively develop digital economy.
- ▶ Accelerate construction of a node-type and hub-type urban transportation system.
- ▶ Accelerate the construction of innovative information infrastructure.
- ▶ Enhance environmental protection and improvement.
- ▶ Make the effort to improve public services.
- ▶ High-quality and high-performance usage of land.
- ▶ Continuously optimize the business environment.
- ▶ Continuously deepen the reform of “delegate power, streamline administration and optimize government services”.

Enterprises in the Lin-gang Special Area are advised to read the Plan for greater details so as to fully utilize the relevant benefits. If in doubt, consultations with professionals are always recommended.

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

<http://www.shanghai.gov.cn/nw2/nw2314/nw2319/nw12344/u26aw65536.html>

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

- ▶ **Notice regarding the public opinion consultation on the “Guiding Opinions on Enhancing the Protection of Confidential Business Information in the Process of Administrative Licensing (Discussion Draft)”**
http://www.moj.gov.cn/government_public/content/2020-08/14/657_3254208.html
- ▶ **Notice regarding the public opinion consultation on the “Amendment to the Copyright Law of the People's Republic of China” (Second Draft for Review)**
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808081736ba7420173ec57d96d3b14>
- ▶ **Notice regarding the public opinion consultation on the “Implementation Measures on the Administrative Licensing and Record Filing of Insurance Agencies (Discussion Draft)”**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=923473>
- ▶ **Certain opinions on providing judicial protections for the pilot registration-based IPO system on the start-up board ChiNext (Fafa [2020] No. 28)**
<http://www.court.gov.cn/fabu-xiangqing-248441.html>
- ▶ **Implementation Regulation on the Budget Law of the People's Republic of China (State Council Order [2020] No. 729)**
http://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/202008/t20200821_3572497.htm
- ▶ **PN regarding the matters related to launching the online system for issuing certificates of origin of least developed countries to be granted with preferential tariff rates (GAC PN [2020] No. 94)**
<http://www.customs.gov.cn/customs/302249/2480148/3248791/index.html>

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