

Issue No. 2020041
23 October 2020

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

- **State Council's executive meeting revealing certain preferential tax policies for promoting the development of Guangdong-Hong Kong-Macao Greater Bay Area and higher-level opening-up**

Synopsis

On 9 October 2020, Premier Li Keqiang chaired the State Council executive meeting (hereinafter referred to as the "Meeting"), in which several decisions were made on stabilization of employment and completion of annual plans, etc.

Among these, the following decisions related to the development of the Guangdong-Hong Kong-Macao Greater Bay Area are worth noting:

- From 1 October 2020 to 31 December 2023, preferential tax treatments shall be provided to international shipping insurance businesses in Nansha Pilot Free Trade Zone;
- From 1 October 2020, waterborne goods that depart from 37 ports in nine cities of the Pearl River Delta, and export from Nansha and Qianhai bonded ports areas shall be eligible for tax refund at the port of departure.

It is anticipated that the relevant government authorities shall further stipulate and release tax policies in response to the decisions. We will keep an eye on any further details and advise you accordingly; please stay tuned.

You can click this link to access the full content of the official news regarding the Meeting:
http://www.gov.cn/premier/2020-10/09/content_5549953.htm

► **Public notice (PN) regarding the "Administrative Measures on the Exemption of Value-added Tax (VAT) and Consumption Tax (CT) for Sales of Duty-Free Goods of Offshore Duty-Free Stores in Hainan" (STA PN [2020] No. 16)**

Synopsis

According to MOF/GAC/STA PN [2020] No. 33 ("PN 33", i.e., PN regarding the policies of tourists' offshore duty-free shopping in Hainan), the State Taxation Administration (STA) released the Administrative Measures on the Exemption of VAT and CT for Sales of Duty-Free Goods of Offshore Duty-Free Stores in Hainan (hereinafter referred to as the "Administrative Measures") via STA PN [2020] No. 16 on 29 September 2020.

According to the Administrative Measures, the scope of duty-free stores that can apply the VAT/CT exemption policies as prescribed in the Administrative Measures refers to offshore duty-free stores in Hainan that are approved by the relevant government authorities and have completed relevant record filing procedures as required.

The Administrative Measures set out the tax filing requirements for offshore duty-free stores in detail. According to the Administrative Measures, the offshore duty-free stores are required to file VAT and CT on a monthly basis. During their first tax filing, the offshore duty-free stores should provide basic information of the business entities as well as the relevant approval/record filing documents of the offshore duty-free stores to their supervising tax authorities. In case the offshore duty-free stores are engaging in VAT/CT taxable businesses simultaneously, they should account for the tax-exempt and taxable items separately in order to apply the tax exemption policies.

PN 16 shall become effective on 1 November 2020.

You can click this link to access the full content of the Administrative Measures:
<http://www.chinatax.gov.cn/chinatax/n359/c5157215/content.html>

You can click this link to access the full content of PN 33:
http://gss.mof.gov.cn/gzdt/zhangcefabu/202006/t20200629_3540437.htm

Business circulars

► **Report on Foreign Investment in China (2019)**

Synopsis

The Ministry of Commerce (MOFCOM) recently released the "Report on Foreign Investment in China (2019)" (hereinafter referred to as the "2019 Report"). The theme of the 2019 Report is "Optimizing the Investment Environment". This report introduces the overview of foreign investment in 2018, status of development, policy measures, key platforms, service systems, business cases, etc. Some key features among them are as follows:

Overview of foreign investment in 2018

In 2018, the number of newly established foreign-invested enterprises in China was 60,533, a year-on-year increase was 69.8% and the growth rate comparing to that of the previous year was 42 percentage points; the actual utilization of foreign investment was USD134.97 billion (excluding the actual utilization of foreign investment in banking, securities and insurance sectors), a year-on-year increase of 3%.

It is worth noting that while global cross-border investment was falling to a new low, the increase in foreign investment in China remained at the similar level as that in the previous two years, and the actual utilization of foreign investment still grew steadily.

Status of development

In terms of the distribution of foreign investment industries, the number of foreign investment enterprises (FIEs) in the primary and secondary industries showed a downward trend, while the proportion in the tertiary industry continued to increase.

It is worth noting that the industrial structure of foreign investment was continuously optimized. Both the scale and quality of foreign capital that are utilized in the high-tech manufacturing sector increased. The growth rate of high-tech service enterprises is the one leading in the growth of foreign-invested tertiary service investment.

Policy measures

Since 2018, the PRC government has vigorously promoted all-round expansion of opening-up in all areas, deepened the reform of “delegate power, streamline administration and optimize government services”, continuously optimized the investment environment, and actively built opening-up platforms through implementing new measures like continuous reducing restrictions in the negative list of foreign investment access, and introducing new laws and regulations such as the Foreign Investment Law, the Overall Plan for the China (Hainan) Pilot Free Trade Zone and the Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, etc.

Build key opening-up platform

In 2018, China has vigorously deepened the reform and innovation of key opening-up platforms such as pilot free trade zones, national economic development zones, border economic cooperation zones, and cross-border economic cooperation zones. In addition, China constantly work on optimizing the investment environment and creating sound development conditions, which provided a positive setting for promoting economic and social development.

Promotion and protection of foreign investment

The Foreign Investment Law promulgated in 2019 establishes the basic institutional framework and rules for foreign investment in terms of access, promotion, protection, and administration.

FIEs in China and potential foreign investors are advised to make reference to the 2019 Report for insights and details of the relevant policies. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of the 2019 Report:

<http://images.mofcom.gov.cn/wzs/202008/20200819101923422.pdf>

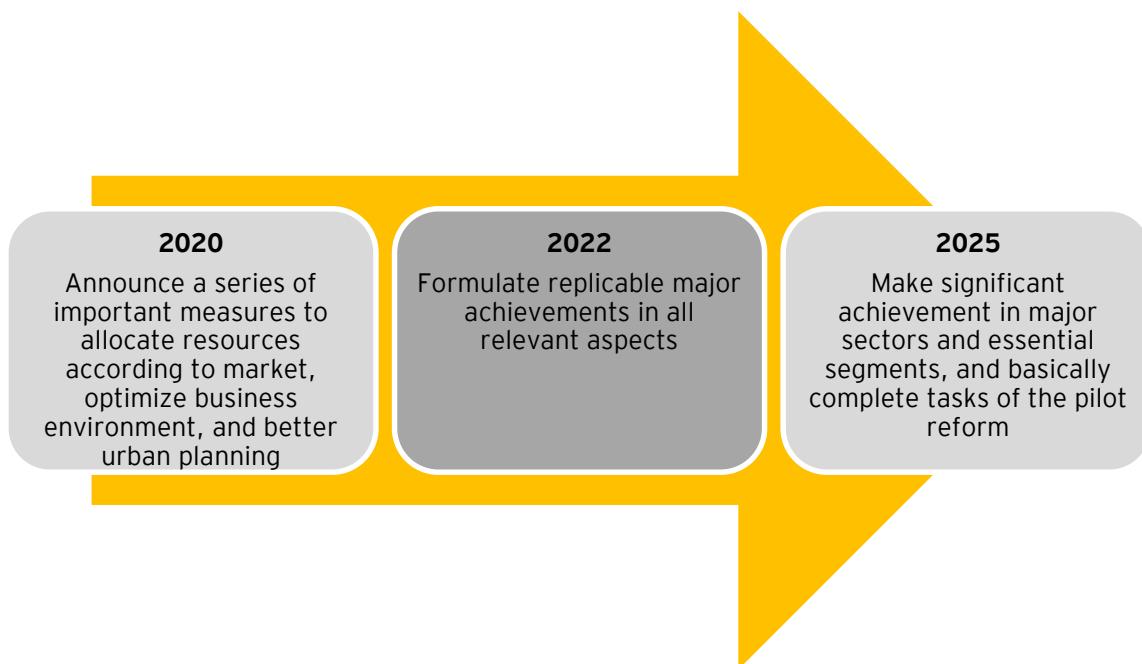
► **Implementation plan for the comprehensive pilot reform of building Shenzhen into a pilot demonstration area of socialism with Chinese characteristics (2020-2025)**

Synopsis

On 11 October 2020, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China jointly announced the Implementation plan for the comprehensive pilot reform of building Shenzhen into a pilot demonstration area of socialism with Chinese characteristics (2020-2025) (hereinafter referred to as the “Plan”).

Upon announcement of the Plan, the China government grants greater autonomy to Shenzhen in the pilot reform which aims to build a pilot demonstration area of socialism with Chinese characteristics in Shenzhen.

According to the Comprehensive Plan, a three-step plan for Shenzhen is set out as follows:



Key pilot measures in the Plan include:

Further improve market environment

- ▶ A more relaxed list for market admission shall be specifically launched for Shenzhen that shall include loosened entry barrier for energy, telecommunication, public services, transportation and education sectors.
- ▶ Market entry for foreign investments shall be further relaxed for advanced technology sectors.
- ▶ The bankruptcy system shall be further improved to cope with the pilot reform.

Pilot measures related to capital market

- ▶ The reform of second-board market shall be further enhanced and a registration-based initial public offering (IPO) system shall be implemented on a pilot basis.
- ▶ Innovative enterprises shall be allowed to issue stocks or Chinese Depository Receipts (CDR) domestically on a pilot basis.
- ▶ A system shall be established to allow companies listed on National Equities Exchanges and Quotations (NEEQ) to switch to other boards for listing.
- ▶ Optimize the market access environment of private funds.
- ▶ Explore the opportunities for optimization of market entry and development for venture capital companies.
- ▶ Implement pilot of infrastructure real estate investment trusts (REITs).

Enhance the open-up of finance and shipping industries

- ▶ Support qualifying Shenzhen enterprises to list abroad.
- ▶ Launch a pilot allowing combined RMB and foreign currency cross-border capital pool.
- ▶ Support qualifying foreign investment financial institutions to set up security companies, fund management companies.
- ▶ Encourage qualifying foreign institutions to obtain licenses for payment services.
- ▶ Promote the establishment of a financial regulatory system that is in line with the international standards.
- ▶ Explore and improve the registration system for international vessels.
- ▶ Delegate the approval authority for permission of bonded fuel for international shipping to the competent government authority.

Facilitate entry of high-end foreign talents

- ▶ Qualifying foreign talents shall be issued with R visa (i.e., the talent visa) which shall facilitate their entry/exit.
- ▶ The approval procedures for work permit and visa for foreigners shall also be further optimized.

It is anticipated that details of the pilot measures shall be further formulated and issued by the relevant government authorities. 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 content of the Plan:

http://www.gov.cn/zhengce/2020-10/11/content_5550408.htm

► **Notice regarding the "Catalog of Investment Projects Subject to Government's Approval in the Demonstration Zone of Green and Ecological Integrated Development of the Yangtze River Delta (2020 Version)" (Hufugui [2020] No. 19)**

Synopsis

In order to implement the "Overall Plan of the Demonstration Zone of Green and Ecological Integrated Development of the Yangtze River Delta" (hereinafter referred to as the "Overall Plan"), the People's Governments of Shanghai, Jiangsu and Zhejiang jointly released the "Catalog of Investment Projects Subject to Government's Approval in the Demonstration Zone of Green and Ecological Integrated Development of the Yangtze River Delta (2020 Version)" (hereinafter referred to as the "Approval Catalog") on 28 August 2020.

The Approval Catalog covers 49 approval items in 12 fields including agricultural water conservancy, energy, transportation, information industry, raw materials, light industry, high-and-new technology, urban construction, ecological environment, social undertakings, foreign investment, and overseas investment. The covered area includes Qingpu District of Shanghai, Wujiang District of Suzhou, Jiangsu Province, and Jiashan County of Jiaxing, Zhejiang Province, representing an administrative area of approximately 2,300 square kilometers.

It is worth noting that approval items related to foreign investment include:

- Non-prohibited investment projects with a total investment (including capital increase) of USD300 million and above that are listed in the "Special Administrative Measures for Foreign Investment Access (Negative List)" (hereinafter referred to as the "Negative List for Foreign Investment Access") shall be approved by the National Development and Reform Commission (NDRC);
- Non-prohibited investment projects with a total investment (including capital increase) of USD2 billion and above that are listed in the Negative List for Foreign Investment Access shall be first approved by the NDRC and then reported to the State Council for record filing.
- Non-prohibited investment projects with a total investment (including capital increase) below USD300 million shall be approved by provincial approval authorities.

The Approval Catalog came into effect on 1 September 2020. Relevant interested parties, especially those FIEs, are advised to timely make adjustment according to the policy changes mentioned in the Approval Catalog so as to ensure full compliance and a smooth process. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of the Approval Catalog:
<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5139992/content.html>

You can click this link to access the full content of the Overall Plan:
http://www.gov.cn/xinwen/2019-11/19/content_5453512.htm

You can click this link to access the full content of the Negative List for Foreign Investment Access:
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202006/t20200624_1231938.html

► **Notice regarding the recognition of the 2020 National Technology Business Incubators (TBIs) (Guokehuozi [2020] No. 166)**

Synopsis

According to Caishui [2018] No. 120 ("Circular 120", i.e., Notice regarding tax policies for TBIs, university science parks and maker spaces), from 1 January 2019 to 31 December 2021, real estates and lands used by qualifying TBIs or rented, provided for free to their incubated targets (i.e., business start-ups) shall be exempt from Real Estate Tax and Urban Land Usage Tax, while the income derived by qualifying TBIs from provision of incubation services to their incubated targets shall be exempt from VAT.

To promote entrepreneurship and innovation, on 10 October 2020, the Torch High Technology Industry Development Center of the Ministry of Science and Technology released Guokehuozi [2020] No. 166 ("Circular 166"), announcing the commencement of 2020 National TBIs recognition.

Key features of Circular 166 are as follows:

- ▶ The provincial science and technology authorities shall conduct the assessment and review work on National TBIs and submit the lists of recommended TBIs in accordance with Guokefaqu [2018] No. 300 ("Circular 300", i.e., Administrative Measures on TBIs) and Circular 166. The recommended TBIs should have been established prior to 30 September 2017.
- ▶ The application for recognition of 2020 National TBIs shall be completed online. Application institutions shall log on National TBIs application management system (<https://fhq.chinatorch.org.cn/>) and report relevant information online.
- ▶ The provincial science and technology authorities shall release notice to seek public opinion on recommended TBIs and report the documents related to the recommendation of National TBIs to Torch High Technology Industry Development Center by 20 November 2020.

Relevant parties are encouraged to read Circular 166 for more details and file the application in time.

You can click this link to access the full content of Circular 120:

http://www.gov.cn/xinwen/2018-11/05/content_5337692.htm

You can click this link to access the full content of Circular 166:

<http://kjt.ah.gov.cn/group5/M00/01/14/wKg8v1-GwkuAMluQABEVGKyV3lo660.pdf>

You can click this link to access the full content of Circular 300:

http://www.gov.cn/gongbao/content/2019/content_5380370.htm

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

- ▶ **Notice regarding the preferential tax policies for imported exhibits sold during the period of the China International Import Expo (Caiguanshui [2020] No. 38)**
http://gss.mof.gov.cn/gzdt/zhengcefabu/202010/t20201013_3602959.htm
- ▶ **Notice regarding certain anti-dumping measures to expire in 2021**
<http://www.mofcom.gov.cn/article/b/c/202010/20201003006735.shtml>
- ▶ **Notice regarding optimizing the supervision of the capacity for investment management of insurance institutions (Yinbaojianfa [2020] No. 45)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=933755&itemId=926>
- ▶ **PN regarding public opinion consultation on the "Anti-monopoly Guidance for the Active Pharmaceutical Ingredient Industry (Discussion Draft)"**
http://www.samr.gov.cn/hd/zjdc/202010/t20201013_322278.html
- ▶ **Approval on temporarily adjusting and implementing certain administrative regulations in Zhejiang (Guohan [2020] No. 140)**
http://www.gov.cn/zhengce/content/2020-10/15/content_5551453.htm
- ▶ **PN regarding matters related to the adjustment to the entry and exit road transportation facilities and administration of manifests for freight delivery (GAC PN [2020] No. 113)**
<http://www.customs.gov.cn/customs/302249/2480148/3309391/index.html>
- ▶ **PN regarding expanding the pilot program of the "market procurement trade" mechanism (GAC PN [2020] No. 114)**
<http://www.customs.gov.cn/customs/302249/2480148/3310245/index.html>

Contact us

For more information, please contact your usual EY contact or one of the following EY's China tax leaders.

Author - China Tax Center

Jane Hui
+852 2629 3836
jane.hui@hk.ey.com

Greater China Tax Leader

Henry Chan
+86 10 5815 3397
henry.chan@cn.ey.com

Our tax leaders by market segment and service areas

Martin Ngai (China North)
+86 10 5815 3231
martin.ngai@cn.ey.com

Patricia Xia (China Central)
+86 21 2228 2878
patricia.xia@cn.ey.com

Ho Sing Mak (China South)
+86 755 25028289
Ho-Sing.Mak@cn.ey.com

David Chan (Hong Kong SAR/Macau SAR)
+852 2629 3228
david.chan@hk.ey.com

Heidi Liu (Taiwan)
+886 2 2757 8888
heidi.liu@tw.ey.com

Carrie Tang
Business Tax Services
+86 21 2228 2116
carrie.tang@cn.ey.com

Vickie Tan
Global Compliance and Reporting
+86 21 2228 2648
vickie.tan@cn.ey.com

Becky Lai
Tax Policy
+852 2629 3188
becky.lai@hk.ey.com

Andrew Choy
International Tax and Transaction Services
+86 10 5815 3230
andrew.choy@cn.ey.com

Travis Qiu
ITTS - Transfer Pricing
+86 21 2228 2941
travis.qiu@cn.ey.com

Jesse Lv
ITTS - Transaction Tax
+86 21 2228 2798
jesse.lv@cn.ey.com

Kenneth Leung
Indirect Tax
+86 10 5815 3808
kenneth.leung@cn.ey.com

Bryan Tang
Indirect Tax - Global Trade
+86 21 2228 2294
bryan.tang@cn.ey.com

Patricia Xia
Tax Technology
and Transformation
+86 21 2228 2878
patricia.xia@cn.ey.com

Paul Wen
People Advisory Services
+852 2629 3876
paul.wen@hk.ey.com

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2020 Ernst & Young, China
All Rights Reserved.

APAC no. 03011254
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

Follow us on WeChat

Scan the QR code and stay up to date with the latest EY news.

