



Building a better  
working world

Issue No. 2020045  
20 November 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

- ▶ **Notice regarding implementing relevant Value-added Tax (VAT) policies in the Guangdong-Hong Kong-Macao Greater Bay Area (Caishui [2020] No. 48)**

### Synopsis

To support the development of the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter referred to as the "Greater Bay Area"), the Ministry of Finance (MOF), State Taxation Administration (STA) and General Administration of Customs (GAC) jointly released Caishui [2020] No. 48 ("Circular 48") on 26 October 2020 to specify the VAT policies in the Greater Bay Area.

Key features of Circular 48 are as follows:

Tax policies	Details
VAT exemption	<ul style="list-style-type: none"> <li>▶ From 1 October 2020 to 31 December 2023, income of insurance premium for international shipping derived by insurance enterprises registered in Guangzhou from enterprises registered in Nansha Area of China (Guangdong) Pilot Free Trade Zone shall be exempt from VAT.</li> </ul>
Export tax refund policies of the port of shipment	<ul style="list-style-type: none"> <li>▶ From 1 October 2020, containerized cargos to be shipped abroad from the ports of shipment (启运港) as prescribed in the attachment of Circular 48, and passing through Nansha bonded port of Guangzhou and Qianhai bonded port of Shenzhen (i.e., the place of departure (离境地)) by export enterprises<sup>1</sup> with qualifying transportation enterprises<sup>2</sup> as the carriers, shall be eligible for the export tax refund policy for the port of shipment.</li> </ul>

The formalities to be completed with Customs for the export refund policy as well as other relevant matters are also specified in Circular 48.

<sup>1</sup> The export enterprises should have been assessed as Type 1 or Type 2 export enterprises entitled to Export Tax Refund/Exemption and recognized as authorized enterprises or general credit enterprises with the Customs. (According to STA PN [2016] No. 46 ("PN 46", i.e., Public Notice (PN) regarding the revised "Administrative Measures of Classification of enterprises entitled to Export Tax Refund/Exemption"), enterprises entitled to export tax refund/exemption are classified into four categories (Types 1, 2, 3 and 4) and different types of export enterprises shall be subject to different tax administration and service measures.)

<sup>2</sup> The qualifying transportation enterprises should have been recognized as authorized enterprises (认证企业) or general credit enterprises (一般信用企业) with Customs and their tax credit rating should be B or above assessed by tax authorities.

You can click this link to access the full content of Circular 48:

[http://czt.jiangsu.gov.cn/art/2020/11/5/art\\_77309\\_9559708.html](http://czt.jiangsu.gov.cn/art/2020/11/5/art_77309_9559708.html)

You can click this link to access the full content of PN 46:

<http://www.chinatax.gov.cn/n810341/n810765/n1990035/n1990092/c2304410/content.html>

▶ **Notice regarding the Zero Custom Duty (CD) policy for importing raw and auxiliary materials into the Hainan Free Trade Port (FTP) (Caiguanshui [2020] No. 42)**

**Synopsis**

Pursuant to the Overall Plan for Construction of the Hainan FTP (hereinafter referred to as the "Plan"), the MOF, STA and GAC jointly released Caiguanshui [2020] No. 42 ("Circular 42") on 11 November 2020 to specify the Zero Custom policy for importing raw and auxiliary materials into the Hainan FTP.



Key features of Circular 42 are as follows:

Items	Details
Eligible enterprises	Enterprises registered in the Hainan FTP with independent legal entity status.
Scope of the applicable raw and auxiliary materials	<p>169 items of raw and auxiliary materials, including certain agricultural products, parts for the maintenance of aircrafts or vessels, etc. covered in the List of Zero CD Materials (i.e., attachment of Circular 42).</p> <p>The content of the List of Zero CD Materials shall be subject to dynamic adjustments by the relevant authorities.</p>
Qualifying consumption of the listed raw and auxiliary materials for certain purposes shall be exempt from import CD, VAT and Consumption Tax (CT).	<p>To satisfy with the criteria for import level CD, VAT and CT exemptions, generally, the listed raw and auxiliary materials should be consumed in the following activities:</p> <ul style="list-style-type: none"> <li>▶ Manufacturing for self-use purposes by enterprises registered in Hainan FTP (in principle, the materials are not allowed to be resold or transported to outside of the Hainan FTP);</li> <li>▶ Processing trade of import bonded materials and re-exporting the finished products after processing or assembly in the Hainan FTP; and</li> <li>▶ Eligible service trade business</li> </ul> <p>For the parts to be used for maintenance of aircrafts or vessels, the import CD, VAT and CT shall be exempt if one of the following criteria is met:</p> <ul style="list-style-type: none"> <li>▶ The parts are used for maintenance of aircrafts/vessels or their relevant parts that have already entered the territory of China and shall exit China after the maintenance.</li> <li>▶ The parts are used for maintenance of aircrafts or their relevant parts that are operated by airline companies with the main operational base in Hainan.</li> <li>▶ The parts are used for the maintenance of qualifying vessels or their relevant parts that are operated by shipping companies registered in Hainan with independent legal entity status.</li> </ul>
Tax recover	<ul style="list-style-type: none"> <li>▶ If the bonded raw and auxiliary materials or finished goods produced with the bonded materials are to be resold in Hainan FTP or to the Mainland, the exempted import CD, VAT and CT shall be recovered and the transaction shall be subject to VAT and CT as normal domestic sales.</li> <li>▶ Export of finished goods produced with the bonded materials should still follow the prevailing tax policies for exportation of goods.</li> </ul>
Implementation of Circular 42	Circular 42 shall be implemented from 1 December 2020.

Relevant parties are encouraged to read Circular 42 for more details so as to leverage the preferential treatments. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 42:

[http://qss.mof.gov.cn/qzdt/zhengcefabu/202011/t20201112\\_3621853.htm](http://qss.mof.gov.cn/qzdt/zhengcefabu/202011/t20201112_3621853.htm)

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

[http://www.gov.cn/zhengce/2020-06/01/content\\_5516608.htm](http://www.gov.cn/zhengce/2020-06/01/content_5516608.htm)

## Business circulars

### ► **Implementation opinions on promoting the innovative development of foreign trade (Guobanfa [2020] No. 40)**

#### **Synopsis**

To fully implement the decisions and deployments of the Central Committee of the Communist Party of China and the State Council on promoting high-quality development of foreign trade, on 25 October 2020, the General Office of the State Council issued Guobanfa [2020] No. 40 ("Circular 40") to propose the overall objective and relevant implementation opinions on promoting the innovative development of foreign trade.

#### **Overall objective**

Resolute expansion of opening-up, further deepening innovations in technology, system and business model, and focus on building a new development pattern with the domestic circle as the main body and the dual promotion of domestic and international cycles, accelerate the "five optimizations" in international market layout, domestic regional layout, business entities, product structure, and trade methods.

#### **Implementation opinions**

##### ► Innovate the way of development and optimize international market layout

Optimize the international economic and trade environment by resolutely support the multilateral trading system, oppose unilateralism and protectionism, support necessary reforms of the World Trade Organization (WTO), and actively participate in the formulation of international trade rules. Promote the signing of the Regional Comprehensive Economic Partnership (RCEP). (The RCEP was formally signed by the 15 RCEP member states on 15 November 2020). Utilize modern information technologies such as fifth-generation mobile communications (5G), virtual reality (VR), augmented reality (AR), and big data to expand the international market.

##### ► Make use of comparative advantages and optimize domestic regional layout

Improve the quality of trade in the eastern region, strengthen the coordinated development of the Beijing-Tianjin-Hebei region, build a high-level open platform for the Yangtze River Delta region, promote the integrated development of the markets of Guangdong, Hong Kong and Macao, increase the proportion of trade in the central and western regions, and expand the opening-up of the northeast region.

##### ► Strengthen classified guidance and optimize business entities

Cultivate selected leading enterprises with strong innovation capability and international competitiveness in the fields of communications, electricity, construction machinery, rail transit, etc. and enhance the trade competitiveness of small and medium-sized enterprises.

##### ► Inputs of innovation for optimizing types of products

Protect and develop the industrial supply chain, promote industrial transformation and upgrade, optimize the types of import or export products, improve the quality of export products, and adjust tariffs on some products in due course.

##### ► Innovate development models and optimize trade methods

Strengthen general trade, upgrade processing trade, develop other trade, and promote the integration of domestic and foreign trade.

- ▶ Innovate operation models and promote the construction of national foreign trade transformation and upgrading bases

Accelerate the construction of bases and establish various types of base management and service agencies through various industrial clusters.

- ▶ Innovate service models and promote the construction of trade promotion platforms

Promote trade fairs in comprehensive modes, e.g., the China International Import Expo (CIIE) and the Canton Fair to be further enhanced. Aim to benchmark world-class exhibitions, enrich and improve the functions of the CIIE to make it even more internationalized and specialized.

- ▶ Innovate services and promote the construction of international marketing systems

Encourage enterprises to improve their marketing and service guarantee system through cooperation or self-construction, and to carry out storage, display, wholesale, sales, contracting and after-sales services.

- ▶ Innovate business models and cultivate new drivers for foreign trade

Promote the development of new business models such as cross-border e-commerce, actively promote the construction of cross-border e-commerce pilot zones; actively promote the export of used automobiles; accelerate the development of trade in services such as international cultural services, traditional Chinese medicine services; accelerate the development of digital trade.

- ▶ Optimize the development environment and improve the guarantee system

Continuously improve the trade facilitation, optimize import and export services, strengthen policy support and guarantee for international logistics through the system innovation of pilot free trade zones and free trade ports.

Foreign trade enterprises are advised to read Circular 40 for more details of policy trends so as to get prepared in advance. If in doubt, consultations with professionals are always recommended. We have issued a WeChat news article (in Chinese) to discuss the RCEP in greater detail on 16 November 2020 and a bilingual newsletter is under its way. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search key words to access the full contents of the WeChat news article.

You can click this link to access the full content of Circular 40:

[http://www.gov.cn/zhengce/content/2020-11/09/content\\_5559659.htm](http://www.gov.cn/zhengce/content/2020-11/09/content_5559659.htm)

- ▶ **Notice regarding the Plan of Key Tasks Division for Deepening the Reform to Delegate Power, Streamline Administration and Optimize Government Services and Optimizing the Business Environment Nationwide (Guobanfa [2020] No. 43)**

### **Synopsis**

To stimulate the vitality of market entities, on 1 November 2020, the General Office of the State Council released the Plan of Key Tasks Division for Deepening the Reform to Delegate Power, Streamline Administration and Optimize Government Services and Optimizing the Business Environment Nationwide (hereinafter referred to as the "Division Plan") via Guobanfa [2020] No. 43.

The Division Plan listed 25 key tasks. Among these, the tax and business-related contents highlighted in the Division Plan include:

### **Tax-related matters**

- ▶ The application procedures for preferential tax and fee policies shall be simplified. The information of preferential policies shall be delivered to qualifying taxpayers by utilizing big data technique.

- ▶ The national regulated and unified e-tax bureau shall be optimized and improved. Enterprises and individuals shall be allowed to conduct tax filing and settlement online by the end of 2021.
- ▶ The handling progress on export tax refund shall be accelerated. The average processing time for regular export tax refund matters shall be reduced to eight working days and the online document record filing shall be fully implemented in 2021.

#### Administrative approval

- ▶ The list of administrative licensing items at the central level shall be stipulated and published.
- ▶ Duplicated approval items shall be eliminated. The new batch of abolishing, delegating and changing management method for administrative licensing items shall be proposed by the end of June 2021.
- ▶ Approval methods shall be innovated. The reform on “Separating Permits from Business Licenses” shall be deepened. Commitment mechanism shall be implemented in certain areas including manufacturing licensing, approval of project investment, certificate matters etc.
- ▶ Convenience on enterprises’ deregistration shall be promoted. The scope of simplified deregistration shall be expanded.

#### Foreign investment

- ▶ Rules and regulations which are inconsistent with prevailing law of foreign investment shall be removed to ensure equity between domestic enterprises and foreign investment enterprises.
- ▶ Relevant government authorities shall revise the catalogue of encouraged industries for foreign investments and publish 2020 version to further expand the scope of foreign investment.
- ▶ Local departments are encouraged to establish “one-stop” service system for foreign investment.

Division Plan also stipulated key tasks on market supervision, government service, business environment, etc. Relevant parties are encouraged to read Division Plan for more details.

In practice, the central government authorities will issue detailed regulations to implement the relevant tasks. We will keep an eye on any further developments in this regard and advise you accordingly; please stay tuned.

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

[http://www.gov.cn/zhengce/content/2020-11/10/content\\_5560234.htm](http://www.gov.cn/zhengce/content/2020-11/10/content_5560234.htm)

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

- ▶ **PN regarding revising the “Credit Index System and Rules on Tax Professional Agencies” (STA PN [2020] No. 17)**  
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5158474/content.html>
- ▶ **2020 China Financial Stability Report**  
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4122054/index.html>
- ▶ **Guiding opinions on fully promoting the notification and commitment mechanism for certification items and business licensing items (Guobanfa [2020] No. 42)**  
[http://www.gov.cn/zhengce/content/2020-11/09/content\\_5559658.htm](http://www.gov.cn/zhengce/content/2020-11/09/content_5559658.htm)
- ▶ **Opinions on supporting the work on building Shenzhen into a pilot demonstration area of socialism with Chinese characteristics (Fafa [2020] No. 39)**  
<http://www.court.gov.cn/zixun-xiangqing-269501.html>

- ▶ **Notice regarding the "Risk Assessment and Reporting System for Major Business Administrative Matters for Headquarters of Express Enterprises (Trail)"**  
[http://www.spb.gov.cn/zc/flfgjzc\\_1/202011/t20201105\\_3409740.html](http://www.spb.gov.cn/zc/flfgjzc_1/202011/t20201105_3409740.html)
- ▶ **PN regarding public opinion consultation on the "Guidance on Anti-monopoly for Platform Economy (Discussion Draft)"**  
[http://www.samr.gov.cn/hd/zjdc/202011/t20201109\\_323234.html](http://www.samr.gov.cn/hd/zjdc/202011/t20201109_323234.html)
- ▶ **Decision on revising the "Copyright Law of the People's Republic of China" (Chairman Order [2020] No. 62)**  
<http://www.npc.gov.cn/npc/c30834/202011/ce75b159ad3e430891fac60323a50717.shtml>
- ▶ **PN regarding matters related to the "Decisions of the State Council on Cancelling or Delegating a Batch of Administrative Licensing Items" (SAMR PN [2020] No. 48)**  
[http://www.cnca.gov.cn/zw/gg/zjgg/202011/t20201105\\_64161.shtml](http://www.cnca.gov.cn/zw/gg/zjgg/202011/t20201105_64161.shtml)
- ▶ **Notice regarding certain issues on promoting personal insurance products in the Guangdong-Hong Kong-Macao Greater Bay Area (Yinbaojianbanbianhan [2020] No. 1481)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=941619>
- ▶ **Notice regarding public opinion consultation on the "Decisions of the State Administration for Market Supervision on the Abolishment and Amendment of Certain Regulations (Discussion Draft)"**  
[http://www.moj.gov.cn/government\\_public/content/2020-11/11/657\\_3259411.html](http://www.moj.gov.cn/government_public/content/2020-11/11/657_3259411.html)
- ▶ **Notice regarding adjusting the names of certain bonded port areas (Tongjihuan [2020] No. 55)**  
<http://gkml.customs.gov.cn/tabid/1165/InfoID/45333/Default.aspx>



## 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](http://ey.com/privacy). For more information about our organization, please visit [ey.com](http://ey.com).

© 2020 Ernst & Young, China  
All Rights Reserved.

APAC no. 03011493  
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](http://ey.com/china)

**Follow us on WeChat**

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

