



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 circular

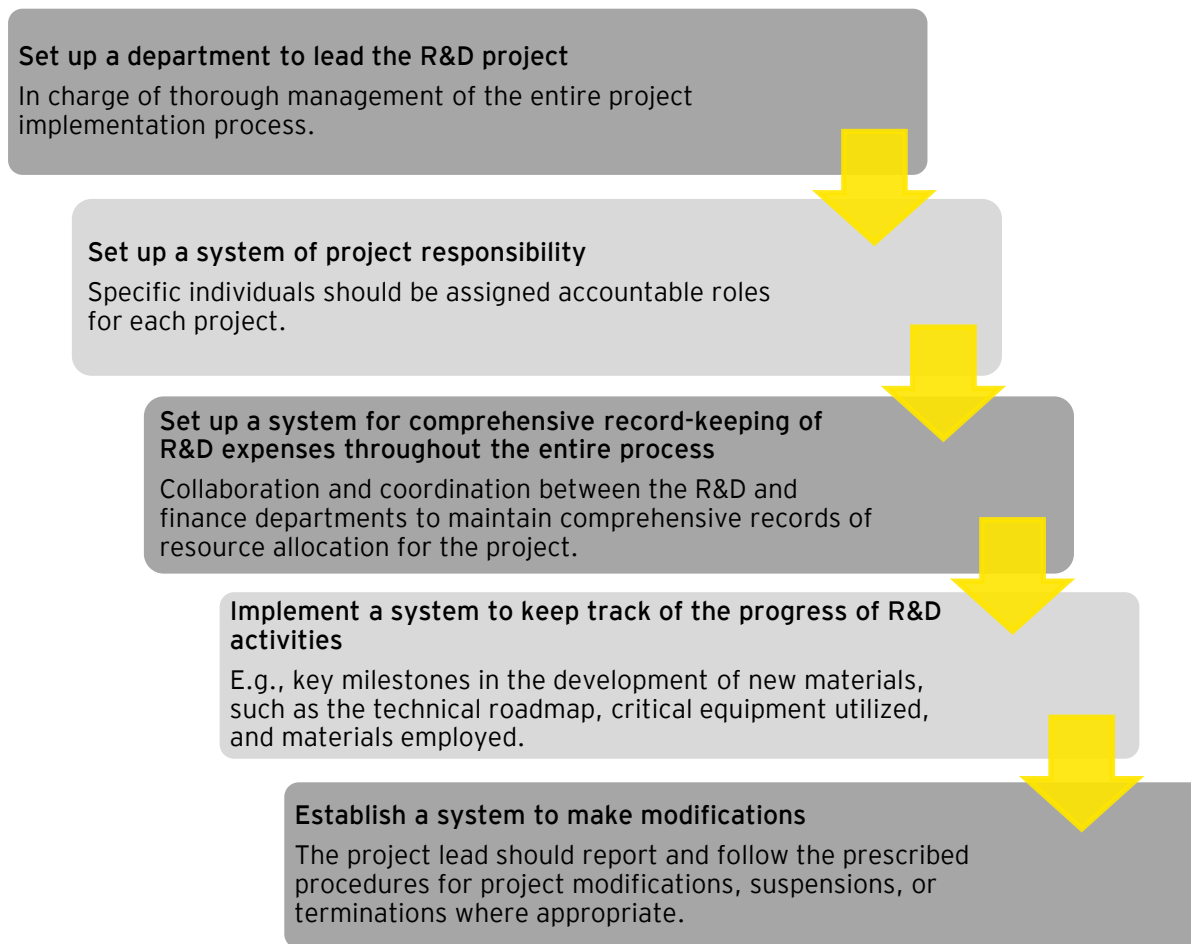
► **Guidelines on the Implementation of Corporate Income Tax (CIT) Policies related to the Super Deduction of Research and Development (R&D) Expenses (Version 2.0)**

Synopsis

Recently, the Income Tax Department of the State Taxation Administration (STA), in collaboration with the Department of Policy, Regulation and Innovation System of the Ministry of Science and Technology jointly issued the "Guidelines on the Implementation of CIT Policies related to the Super Deduction of R&D Expenses (Version 2.0)" (hereinafter referred to as the "Guidelines").

The Guidelines compile the existing policies for R&D expense, and provide a comprehensive official interpretation on the key aspects of these policies, which include the calculation of deductions, filing requirements and post-event administration.

Among these, it is proposed in the Guidelines that a standardized management system for the implementation of R&D projects should be established by the relevant enterprises to ensure effective implementation of R&D projects and facilitate the enjoyment of the super deduction of R&D expenses, details include the following:



After the completion of a R&D project, it is recommended for the relevant R&D project team to prepare a final report covering the details on the progresses, achievements of intellectual property, advancements in R&D outcomes, key technology breakthroughs, analysis of reasons for failures, and test reports, etc. The finance department is encouraged to prepare a financial report in this regard as well.

Though it is not mandatory to require all taxpayers to keep such a system, the Guidelines can be used as a good reference for relevant taxpayers to apply and manage internal process for maintaining the tax benefit. Relevant taxpayers should refer to the Guidelines to properly consider adoption of the systems suggested. If in doubt, consultations from tax professionals are always recommended.

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5208701/5208701/files/%E7%A0%94%E5%8F%91%E8%B4%B9%E7%94%A8%E5%8A%A0%E8%AE%A1%E6%89%A3%E9%99%A4%E6%94%BF%E7%AD%96%E6%89%A7%E8%A1%8C%E6%8C%87%E5%BC%95%E7%BC%88.0%E7%89%88%E7%BC%89.pdf.pdf>

Business circulars

► Regulations on Supervision and Administration of Private Equity (PE) Funds (State Council Order [2023] No. 762)

Synopsis

To regulate the business activities of PE funds, protect the legitimate rights and interests of investors and relevant parties, and promote the healthy development of the PE industry, on 3 July 2023, the State Council announced the Regulations on Supervision and Administration of PE Funds (hereinafter referred to as the “PE Fund Regulations”) via State Council Order [2023] No. 762.

The PE Fund Regulations provide clear guidelines and regulations for the PE industry, emphasizing the importance of implementing differentiated management approaches based on the various types of funds.

Key features of the PE Fund Regulations include:

Items	Details
Applicable funds	PE funds in the forms of contractual, corporate, and partnership funds.
Differentiated management approaches	Differentiated management approaches shall be applied for various types of funds, e.g., facilitative measures shall be applied for the investment and exit of venture capital funds primarily engaged in long-term investments, value investments, and significant technology transfer.
Exemption of limitation imposed on the use of nested structures	For PE funds (e.g., fund of funds, venture capital funds, and government funds) that have legitimate business expansion needs, an exemption from one level of nested structure limitations shall be applied. This exemption allows these specific types of PE funds to utilize nested structures within their investment strategies, subject to the existing rules and regulations.
Market exclusion	Clarify circumstances under which certain parties, including the controlling shareholders, actual controllers, directors, supervisors, and senior personnel of fund managers, are not allowed to be involved in the management of PE funds.
Penalties	The PE Fund Regulations list the prohibited actions that shareholders, actual controllers, and partners of fund managers are not allowed to engage in. Violations of these actions may result in fines ranging from one to five times the amount of illegal gains.

Relevant parties are encouraged to read the PE Fund Regulations for more details.

We have issued a WeChat news article on 17 July 2023 (in Chinese only) introducing the PE Fund Regulations and Qualified Foreign Limited Partnership in greater detail. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE or click the weblink below.

You can click this link to access the full contents of the PE Fund Regulations:

https://www.gov.cn/zhengce/content/202307/content_6890738.htm

You can click this link to access the full contents of the WeChat article:

<https://mp.weixin.qq.com/s/Ys7bXMNgHLkog0UZWqRoIA>

► **Notice on Replicating and Extending the Seventh Batch of Reform Arrangements in the Pilot Free Trade Zones (Guohan [2023] No. 56)**

Synopsis

On 24 June 2023, the State Council issued the “Notice on Replicating and Extending the Seventh Batch of Reform Arrangements in the Pilot Free Trade Zones” via Guohan [2023] No. 56 (hereinafter referred to as “Circular 56”), which aims to replicate and promote 24 pilot measures previously implemented in certain pilot free trade zones.

Among these measures, 22 reform measures will be replicated and promoted nationwide, covering five areas, i.e., the investment and trade facilitation, government management innovation, financial opening and innovation, high-quality industrial development, and intellectual property protection. Examples in this regard include the electronic tax payment via cross-border RMB, movable property pledged financing, new model for bill financing of technology innovated enterprises.

Additionally, two pilot measures will be replicated and promoted in pilot free trade zones and coastal areas, respectively.

Relevant enterprises are encouraged to read Circular 56 for more information.

You can click this link to access the full contents of Circular 56:

https://www.gov.cn/zhengce/content/202307/content_6890912.htm

► **Administrative measures for gradual cultivation of standardized innovation enterprises (trial) (Guoshijianbiaochuanggui [2023] No. 4)**

Synopsis

To stimulate the innovative capacity of enterprises, the State Administration for Market Regulation issued the Administrative Measures for the Gradual Cultivation of Standardized Innovation Enterprises (Trial) (hereinafter referred to as the “Administrative Measures”) via Guoshijianbiaochuanggui [2023] No. 4 on 22 May 2023.

Establishing the standardized innovation enterprise system is conducive to deepening the innovation of standardized operation mechanisms and encouraging enterprises to build a technology, patent, and standard linkage innovation system. According to the Administrative Measures, the standardized innovative enterprises are categorized into three progressive levels, i.e., primary, intermediate, and advanced.

Qualified standardized innovative enterprises are encouraged to apply for the national science and technology program special projects, or statuses of national enterprise technology centers/national high-tech enterprises/national intellectual property advantage enterprises, etc., and enjoy the relevant supporting policies.

Relevant businesses are advised to read the Administrative Measures for more information. 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 contents of the Administrative Measures:

https://www.samr.gov.cn/bzcxs/tzgg/art/2023/art_504f1740f23a482299929f92ca76fa56.html

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

- **Public notice (PN) regarding launching a final review investigation of anti-dumping measures applicable to imported optical fiber preforms originated from Japan and the United States (MOFCOM PN [2023] No. 24)**
<http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202307/20230703420832.shtml>
- **Administrative measures for demonstration zones for undertaking industrial transfer (Fagaidiqu [2023] No. 729)**
https://www.ndrc.gov.cn/xwdt/tzgg/202307/t20230710_1358296.html
- **Notice on the extension of the policy on financial support for the steady and healthy development of the real estate market (Yinfa [2023] No. 141)**
https://www.gov.cn/zhengce/zhengceku/202307/content_6891065.htm
- **Regulations of the People’s Republic of China (PRC) on Consular Protection and Assistance (State Council Order [2023] No. 763)**
https://www.gov.cn/zhengce/content/202307/content_6891760.htm
- **Notice regarding public opinions consultation on the “Regulations of the PRC on Certification and Accreditation (Discussion Draft)”**
https://www.samr.gov.cn/hd/zjdc/art/2023/art_ae879ef9c66b43fc8c5af66400881491.html
- **Provisional measures on the administration of generative artificial intelligence services (Cyberspace Administration of China /NDRC/MOE/MIIT/MOST/MPS/NRTA Order [2023] No. 15)**
https://www.gov.cn/zhengce/zhengceku/202307/content_6891752.htm
- **Regulations for the supervision and administration on the imported offshore spot trading of soybeans (trial) (GAC PN [2023] No. 86)**
<http://www.customs.gov.cn/customs/302249/2480148/5144844/index.html>

Contact us

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

Greater China Tax Leader

Vickie Tan

+86 21 2228 2648

Vickie.Tan@cn.ey.com

Our tax leaders by service segment

Andrew Choy

International Tax and Transaction Services

+86 10 5815 3230

Andrew.Choy@cn.ey.com

Becky Lai

Tax Policy

+852 2629 3188

Becky.Lai@hk.ey.com

Alan Lan

Global Compliance and Reporting

+86 10 5815 3389

Alan.Lan@cn.ey.com

Jesse Lv

ITTS - Transaction Tax

+86 21 2228 2798

Jesse.Lv@cn.ey.com

Travis Qiu

ITTS - Transfer Pricing

+86 21 2228 2941

Travis.Qiu@cn.ey.com

Chuan Shi

Tax Technology and Transformation

+86 21 2228 4306

Chuan.Shi@cn.ey.com

Carrie Tang

Business Tax Services

+86 21 2228 2116

Carrie.Tang@cn.ey.com

Bryan Tang

Indirect Tax - Global Trade

+86 21 2228 2294

Bryan.Tang@cn.ey.com

Paul Wen

People Advisory Services

+852 2629 3876

Paul.Wen@hk.ey.com

Kevin Zhou

Indirect Tax - VAT

+86 21 2228 2178

Kevin.Zhou@cn.ey.com

Our tax leaders by service areas

Andrew Choy (China North)

+86 10 5815 3230

Andrew.Choy@cn.ey.com

Ho Sing Mak (China South)

+86 755 2502 8289

Ho-Sing.Mak@cn.ey.com

Wilson Cheng (Hong Kong

SAR/Macau SAR)

+852 2846 9066

Wilson.Cheng@hk.ey.com

Heidi Liu (Taiwan)

+886 2 2757 8888

Heidi.Liu@tw.ey.com

Author - China Tax Center

Jane Hui

+852 2629 3836

Jane.Hui@hk.ey.com

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