

# 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

### ► The State Council's Executive Meeting passed the Draft Stamp Duty (SD) Law of the People's Republic of China (PRC)

#### Synopsis

On 4 January 2021, the draft SD Law of the PRC (hereinafter referred to the "Draft SD Law") was passed at the state council's executive meeting (hereinafter referred to as the "meeting") chaired by Premier Li Keqiang.

Although the full contents of the draft SD Law were not unveiled, it is understood that the current SD system shall not be changed while SD on security trading shall be stipulated by the law. The following details regarding the Draft SD Law were also mentioned in the official news of the meeting:

- The SD rates on purchases/sales contracts, technical contracts and security trading shall be unchanged.
- The SD rates on processing contracts, construction/exploration/design contracts, cargo transportation contracts, and accounting books for capital shall be reduced.
- The SD rate on licenses shall be removed.

It is understood that the items of SD shall be further simplified and the SD rates for certain items shall be reduced to ease burdens of taxpayers. It is also emphasized in the meeting that the tax administration and collection of SD shall be enhanced to reduce administrative discretion and avoid loopholes. After being passed at the meeting, the SD Law was further submitted to the National People's Congress for deliberation.

We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the official news regarding the meeting:

[http://www.gov.cn/premier/2021-01/04/content\\_5576925.htm](http://www.gov.cn/premier/2021-01/04/content_5576925.htm)

► **Public notice (PN) regarding revising schedules of annual Corporate Income Tax (CIT) return (STA PN [2020] No. 24)**

**Synopsis**

To cope with certain new CIT policies such as those related to the prevention and control of the epidemic of COVID-19 and the preferential policies for Hainan, etc., the State Taxation Administration (STA) launched the revised schedules of the CIT return and the relevant instructions on 30 December 2020.

Key changes include the followings:

- 11 schedules of the annual CIT return and the related instructions are revised, e.g., the “Enterprise’s Basic Information Form for Annual CIT Filing” (Schedule A000000) (i.e., 《企业所得税年度纳税申报基础信息表》), “Statement of adjustments made for CIT purpose” (Schedule A105000) (i.e., 《纳税调整项目明细表》), and “Statement of Enterprise’s Losses Offset by Income” (Schedule A106000) (i.e., 《企业所得税弥补亏损明细表》), etc.
- Meanwhile, the instructions for two schedules, i.e., the PRC Annual CIT Return (Type A) (Schedule A100000) (i.e., 《中华人民共和国企业所得税年度纳税申报表（A类）》) and the “Statement of Foreign Tax Credits” (Schedule A108000) (i.e., 《境外所得税收抵免明细表》) are updated accordingly.

PN 24 shall be applicable to the annual CIT declaration of year 2020 and after, until it is superseded by any further updated policies to be released in the future. Where the relevant rules of previous annual CIT declaration are inconsistent with PN 24, no retrospective adjustment needs to be made. Where a taxpayer makes adjustments to tax-related matters of previous years, the adjustments shall be made in accordance with the relevant rules of CIT filing for the corresponding year.

Taxpayers are advised to read PN 24 for more details and adapt to the new changes. For any questions, please feel free to reach out to our team.

You can click this link to access the full contents of PN 24:

<http://www.chinatax.gov.cn/chinatax/n362/c5160521/content.html>

You can click this link to access the full contents of STA’s official interpretation on PN 24:

<http://www.chinatax.gov.cn/chinatax/n810341/n810760/c5160522/content.html>

► **PN regarding the “Tariff Schedule of the PRC (2021)” (Customs Tariff Commission PN [2020] No. 11)**

**Synopsis**

On 30 December 2020, the Customs Tariff Commission of the State Council released Customs Tariff Commission PN [2020] No. 1 to announce the “Tariff Schedule of the PRC (2021)” (hereinafter referred to as the “2021 Tariff Schedule”).

Basing on the 2020 Tariff Schedule of the PRC, the 2021 Tariff Schedule adjusted the tariff items for import and export, most-favorite-nation tariff rates, provisional tariff rates for import, etc. according to the relevant adjustments made in Shuiweihui [2020] No. 33 ("Circular 33", i.e., Notice regarding the 2021 tariff adjustment plan). 2021 Tariff Schedule became effective from 1 January 2021. Relevant parties are encouraged to read 2021 Tariff Schedule for more details.

You can click this link to access the full content of 2021 Tariff Schedule:

[http://www.gov.cn/zhengce/zhengceku/2020-12/31/content\\_5575817.htm](http://www.gov.cn/zhengce/zhengceku/2020-12/31/content_5575817.htm)

You can click this link to access the full content of Circular 33:

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202012/t20201223\\_3636573.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202012/t20201223_3636573.htm)

- ▶ **PN regarding the list of charitable social organizations through which charitable donations made are deductible for income tax purposes for 2020-2022 (MOF/STA/MCA PN [2020] No. 46)**

### Synopsis

According to MOF/STA/MCA PN [2020] No. 27 ("PN 27", i.e., PN regarding matters related to the deduction of charitable donations for income tax purposes), charitable social organizations are categorized into charitable organizations, other social organizations and charitable mass organizations. The confirmation and management on the qualification of charitable mass organizations shall be conducted based on prevailing regulations. On the other hand, the confirmation and management on the qualification of charitable organizations and other social organizations, whose status shall be valid nationwide for three years, shall be conducted in accordance with PN 27.

Based on the requirements of PN 27, on 30 December 2020, the Ministry of Finance (MOF), STA and Ministry of Civil Affairs (MCA) jointly released MOF/STA/MCA PN [2020] No. 46 ("PN 46") to announce the list of charitable social organizations through which charitable donations made are deductible for income tax purposes for 2020-2022.

Taxpayers are encouraged to read PN 46 for details of the list. If in doubt, consultations with professionals are always recommended.

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

<http://www.chinatax.gov.cn/chinatax/n362/c5160479/content.html>

You can click this link to access the full content of PN 27:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5150170/content.html>

## Business circulars

- ▶ **Notice regarding further optimizing the cross-border use of RMB and supporting the steady development of foreign trade and foreign investment (Yinfa [2020] No. 330)**
- ▶ **Notice regarding adjusting the macro-prudential adjustment parameter of enterprise cross-border financing (Yinfa [2020] No. 5)**

### Synopsis

In order to further enhance the function of cross-border RMB business in serving the real economy and facilitating trade and investment, on 31 December 2020, several ministries and commissions of the central government jointly released Yinfa [2020] No. 330 ("Circular 330") to introduce relevant measures for optimizing the cross-border use of RMB and supporting the steady development of foreign trade and foreign investment.



Key measures introduced in Circular 330 are as follows:

**Promote higher-level facilitation in RMB settlement of trade and investment to meet the needs of the real economy:**

- ▶ Launch pilot schemes nationwide for higher-level facilitation of trade and investment.
- ▶ Support cross-border RMB settlement for new types of trade.
- ▶ Timely adjust the requirements on matters handling and review according to the commercial system reform.

**Further streamline the process of cross-border RMB settlement:**

- ▶ Optimize the mechanism for forming the key supervision list for cross-border RMB business.
- ▶ Support electronic review of documents.
- ▶ Optimize the centralized collection and payment arrangement of cross-border RMB under current accounts of multinational enterprises.

**Further optimize the administration of cross-border RMB investment and financing:**

- ▶ Relax restrictions on the use of RMB income from certain capital accounts.
- ▶ Facilitate domestic reinvestment of foreign investment enterprises.
- ▶ Cancel the requirement of special deposit account for fund transfers for foreign investors' reinvestment or share acquisition of foreign investment enterprises in Mainland China.

**Facilitate cross-border RMB receipts and payments under current accounts of individuals:**

- ▶ Support the development of cross-border RMB settlement under current accounts of individuals.
- ▶ Facilitate remittances from Hong Kong and Macau to RMB bank settlement accounts in Mainland China with the same name.

**Facilitate the use of RMB bank settlement accounts of overseas institutions:**

Facilitate the receipt of overseas funds and expand the income range of RMB bank settlement accounts of overseas institutions.

Circular 330 shall become effective on 4 February 2021. Where there is any discrepancy with other relevant regulations, the provisions of Circular 330 shall prevail.

In addition, on 7 January 2021, the State Administration of Foreign Exchange (SAFE) and the People's Bank of China (PBOC) jointly released Yinfa [2021] No. 5 ("Circular 5"), announcing to adjust the macro-prudential adjustment parameter of enterprise cross-border financing from 1.25 to 1, effective from the promulgation date, i.e., 7 January 2021.

With the parameter being revised down from 1.25 to 1, the upper limit of outstanding cross-border financing an institution can have, i.e., *risk-weighted cross-border financing balance* (跨境融资风险加权余额上限), is therefore lowered. (*Risk-weighted cross-border financing balance* = *Capital or net assets* x *Leverage ratio of cross-border financing* x *Macro-prudential adjustment parameter*). Further, where an enterprise's risk-weighted cross-border financing balance exceeds the upper limit as a result of the parameter adjustment, those cross-border financing contracts started before the issuance of Circular 5 are still allowed to be held to maturity.

Relevant foreign investment enterprises and enterprises with cross-border financing business are advised to read Circular 330 and Circular 5 carefully so as to leverage the new flexibilities and timely respond to the impact of the policy changes. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 330:

<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4158143/index.html>

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

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4159638/index.html>

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

- ▶ **Notice regarding issuing the 2020 duty stamps (STA PN [2020] No. 1)**  
<http://www.chinatax.gov.cn/chinatax/n367/c5160517/content.html>
- ▶ **Notice regarding the “Implementation Plan for Fully Promoting the Notification and Commitment Mechanism for Tax Certification Items Nationwide” (Shuizongfa [2020] No. 74)**  
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5160579/content.html>
- ▶ **Notice regarding establishing a centralized administration system for real estate loans of banking financial institutions (Yinfa [2020] No. 322)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=955098&itemId=928&generaltype=0>
- ▶ **Notice regarding further implementing related accounting standards for new-type financial instruments (Caikuai [2020] No. 22)**  
[http://kjs.mof.gov.cn/gongzuotongzhi/202012/t20201230\\_3638258.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202012/t20201230_3638258.htm)
- ▶ **Notice regarding further improving the financial subsidy policies for the promotion and use of new energy vehicles (Caijian [2020] No. 593)**  
[http://jjs.mof.gov.cn/zhengcefagui/202012/t20201231\\_3638812.htm](http://jjs.mof.gov.cn/zhengcefagui/202012/t20201231_3638812.htm)
- ▶ **PN regarding the transitional arrangement for implementing unified registration of moveable property and warranty of title (PBOC/SAMR PN [2020] No. 23)**  
[http://gkml.samr.gov.cn/nsjg/wjs/202012/t20201231\\_324880.html](http://gkml.samr.gov.cn/nsjg/wjs/202012/t20201231_324880.html)
- ▶ **Notice regarding related policies for three governmental funds (Caishui [2020] No. 72)**  
[http://szs.mof.gov.cn/zhengcefabu/202012/t20201231\\_3638821.htm](http://szs.mof.gov.cn/zhengcefabu/202012/t20201231_3638821.htm)
- ▶ **Catalogue of goods subject to the administration of import permits for 2021 (MOFCOM/GAC PN [2020] No. 72)**  
<http://www.mofcom.gov.cn/article/b/e/202012/20201203027824.shtml>
- ▶ **Catalogue of goods subject to the administration of export permits for 2021 (MOFCOM/GAC PN [2020] No. 71)**  
<http://www.mofcom.gov.cn/article/b/e/202012/20201203027824.shtml>
- ▶ **Notice regarding the “Catalogue of Goods Prohibited from Import (seventh batch)” and “Catalogue of Goods Prohibited from Export (sixth batch)” (MOFCOM/MEE/GAC PN [2020] No. 73)**  
<http://www.mofcom.gov.cn/article/b/e/202012/20201203027805.shtml>
- ▶ **Administrative catalogue of import & export permits for dual-use goods and technologies (MOFCOM/GAC PN [2020] No. 75)**  
<http://www.mofcom.gov.cn/article/b/e/202012/20201203027833.shtml>
- ▶ **Decisions on the abolishment and amendment of some regulations (SAMR Order [2020] No. 34)**  
[http://gkml.samr.gov.cn/nsjg/fqs/202012/t20201231\\_324882.html](http://gkml.samr.gov.cn/nsjg/fqs/202012/t20201231_324882.html)

- ▶ **Notice regarding the public opinion consultation on the “Decisions of the China Banking and Insurance Regulatory Commission on Amending the ‘Implementation Rules of the Administrative Regulations on Foreign-invested Insurance Companies (Discussion Draft)’”**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=954399&itemId=925>
- ▶ **Notice regarding extending the policy on inclusive deferred loan repayment and matters related to the support policy of credit loan for small and micro-sized enterprises (Yinfa [2020] No. 324)**  
[https://www.miit.gov.cn/xwdt/gxdt/sjdt/art/2021/art\\_e0de713fe68d4eacae207a8fb5b25ea1.html](https://www.miit.gov.cn/xwdt/gxdt/sjdt/art/2021/art_e0de713fe68d4eacae207a8fb5b25ea1.html)
- ▶ **Notice regarding the “Implementation Plan for Fully Promoting the Notification and Commitment Mechanism for Certification Items within the Ministry” (Renshetingfa [2020] No. 110)**  
[http://www.mohrss.gov.cn//xxgk2020/fdzdgknr/zcfg/gfxwj/zh/202101/t20210104\\_407086.html](http://www.mohrss.gov.cn//xxgk2020/fdzdgknr/zcfg/gfxwj/zh/202101/t20210104_407086.html)
- ▶ **Notice regarding deepening the reform of “Delegate Power, Streamline Administration and Optimize Government Services” and optimizing the business environment for banking and insurance sectors (Yinbaojianbanfa [2020] No. 129)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=956594>
- ▶ **Notice regarding the work related to promoting the high-quality development of overseas design and consultation (Shanghehan [2021] No. 1)**  
<http://www.mofcom.gov.cn/article/b/bf/202101/20210103028820.shtml>
- ▶ **Administrative Measures for Carbon Emissions Trading (Trial) (MEE Order [2020] No. 19)**  
[http://www.gov.cn/zhengce/zhengceku/2021-01/06/content\\_5577360.htm](http://www.gov.cn/zhengce/zhengceku/2021-01/06/content_5577360.htm)
- ▶ **Notice regarding establishing a mechanism for online interconnection of litigation and mediation concerning intellectual property disputes**  
[http://www.gov.cn/zhengce/zhengceku/2021-01/07/content\\_5577631.htm](http://www.gov.cn/zhengce/zhengceku/2021-01/07/content_5577631.htm)
- ▶ **Free Trade Agreement between the Government of the PRC and the Government of the Republic of Mauritius**  
[http://fta.mofcom.gov.cn/mauritius/mauritius\\_special.shtml](http://fta.mofcom.gov.cn/mauritius/mauritius_special.shtml)
- ▶ **PN regarding the “Implementation Measures of the Customs on the Zero-tariff Policies for Means of Transport and Yachts in Hainan Free Trade Port (Trial)” (GAC PN [2021] No. 1)**  
<http://www.customs.gov.cn/customs/302249/302266/302267/3500815/index.html>
- ▶ **PN regarding revising the “Regulations on the Establishment of Workplaces (Venues) Under Custom Supervision” “Regulations on the Use of Surveillance Cameras at Workplaces (Venues) Under Custom Supervision” and “Regulations of Designated Sites Under Custom Supervision” (GAC PN [2020] No. 4)**  
<http://www.customs.gov.cn/customs/302249/2480148/3504545/index.html>



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