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# 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 the pilot run of the Corporate Income Tax (CIT) policies for corporate venture capital enterprises in the Zhongguancun National Independent Innovation Demonstration Zone (Caishui [2020] No. 63)**

### Synopsis

To further promote the development of venture capital, on 29 December 2020, the Ministry of Finance (MOF), National Development and Reform Commission, State Taxation Administration (STA) and China Securities Regulatory Commission (CSRC) jointly released Caishui [2020] No. 63 ("Circular 63") to clarify the issues for the pilot run of CIT policies for corporate venture capital enterprises in the Zhongguancun National Independent Innovation Demonstration Zone (hereinafter referred to as the "Demonstration Zone").

According to Circular 63, corporate venture capital enterprises in the Demonstration Zone may enjoy the preferential CIT policies as follows:

Situation	Period of shareholding	Preferential CIT policies	Calculation method for CIT exemption amount
Income derived from transfer of equity that has reached certain holding period and contributing to more than 50% of the annual total income from equity transfer	More than three years	Enterprises shall be subject to CIT at a 50% reduction based on individual shareholders' shareholding ratio at the year end	Individual shareholders' shareholding ratio at the year end x annual CIT payable ÷ 2
	More than five years	Enterprises can be exempt from CIT based on individual shareholders' shareholding ratio at the year end	Individual shareholders' shareholding ratio at the year end x annual CIT payable

Circular 63 also specified the definition of qualifying corporate venture capital enterprises. In addition, it stressed that dividends derived from corporate venture capital enterprises by individual shareholders shall be subject to Individual Income Tax according to the prevailing policies.

Circular 63 became effective from 1 January 2020. Where income derived from equity transfers conducted in the execution period of Circular 63 for the equity investments made before 1 January 2020 and meets the requirements of Circular 63, it shall be subject to the tax policies as prescribed in Circular 63. Taxpayers and investors are encouraged to read Circular 63 for more details to leverage the benefits. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 63:

<http://czj.beijing.gov.cn/zwx/tztg/202102/P020210201343789231081.pdf>

► **Notice regarding Value-added Tax (VAT) policies for the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone (SHPFTZ) (Caishui [2021] No. 3)**

**Synopsis**

To implement Guofa [2019] No. 15 ("Circular 15", i.e., Notice regarding the Overall Plan of the Lin-gang Special Area of the SHPFTZ), the MOF, STA and General Administration of Customs (GAC) recently revised certain VAT policies for the Lin-gang Special Area of the SHPFTZ and jointly issued Caishui [2021] No. 3 ("Circular 3") to clarify the revisions on 13 January 2021.

Key features of Circular 3 are as follows:

- Caishui [2018] No. 5 ("Circular 5", i.e., Notice issued by the MOF, STA and GAC regarding the improvement of policies related to export tax refund on port of shipment) is revised as:

Paragraph (3) of Article 2 is revised as:

- "(3) Port of stopover

All the ports of shipment listed in this notice can be regarded as ports of stopover. Ships that carry goods eligible for the tax refund policy for ports of shipment can load and unload goods at ports of stopover.

The additional cargo loaded from the port of stopover must be the container goods already declared for export and departed through the ports of shipment specified in Paragraph (2).

- Add one more paragraph to Article 2:

Paragraph (6): "Dangerous goods do not apply to the tax refund policy for ports of shipment."

- ▶ Enterprises registered in the Yangshan Special Comprehensive Bonded Zone (YSCBZ) are exempt from VAT on the income derived from the provision of transportation, loading, unloading services and warehousing services in the YSCBZ. The specific scope of transportation, loading, unloading and warehousing services shall be implemented in accordance with the “Notes on Sales Service, Intangible Assets, and Real Estate” of Caishui [2016] No. 36.

Circular 3 took effect from 1 January 2021 and expands the scope of ports of stopover and enterprises that are eligible for the VAT refund and exemption policies, which are effective till 31 December 2024. Relevant freight transportation enterprises are advised to read Circular 3 for more details and fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 3:

[http://czt.jiangsu.gov.cn/art/2021/2/2/art\\_77309\\_9662178.html](http://czt.jiangsu.gov.cn/art/2021/2/2/art_77309_9662178.html)

You can click this link to access the full content of Circular 15:

[http://www.gov.cn/zhengce/content/2019-08/06/content\\_5419154.htm](http://www.gov.cn/zhengce/content/2019-08/06/content_5419154.htm)

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

[http://szs.mof.gov.cn/zhengcefabu/201801/t20180126\\_2800514.htm](http://szs.mof.gov.cn/zhengcefabu/201801/t20180126_2800514.htm)

## Business circulars

- ▶ **Notice issued by the Administration Committee of the Lin-gang Special Area of the SHPFTZ regarding the “Measures for Supporting the Development of Headquarters Economy” (Huzimaolinguanwei [2021] No. 57)**
- ▶ **Notice issued by the General Office of the People’s Government of Jiangsu Province regarding the opinions on encouraging the establishment of regional headquarter (RHQ) and functional organizations by multinational corporations in Jiangsu (2021 Version)**

### Synopsis

On 28 January 2021, the Administration Committee of the Lin-gang Special Area of the SHPFTZ announced the Measures for Supporting the Development of Headquarters Economy (hereinafter referred to as the “Lin-gang Supporting Measures for RHQs”) via Huzimaolinguanwei [2021] No. 57.

According to Lin-gang Supporting Measures for RHQs, qualifying RHQs shall be applicable to multiple facilitated measures and incentives which include the following:

- ▶ Various finance supporting, e.g., facilitated measures for cross-border RMB settlement, cross-border bond issuance, etc.
- ▶ Trade facilitation measures, e.g., facilitation on customs declaration process for import/export goods, simplified supervision measures on bonded materials, etc.
- ▶ Subsidies and awards, e.g., financial subsidies for eligible RHQs up to RMB30 million for their establishments, awards for eligible RHQs with key upgrading on their capacities and functions up to RMB6 million, etc.
- ▶ Coordinative supporting measures, e.g., facilitation for key talent recruitment, facilitations for immigration, etc.

The Lin-gang Supporting Measures for RHQs shall become effective from 22 January 2021 to 31 August 2023. However, the Lin-gang Supporting Measures shall also apply to RHQs that met the prescribed criteria during 1 September 2019 to 21 January 2021.



Many local government authorities have also issued similar supportive measures for RHQs, e.g., Notice issued by the General Office of the People's Government of Jiangsu Province regarding the opinions on encouraging the establishment of RHQ and functional organizations by multinational corporations in Jiangsu (2021 Version) released via Suzhengbanfa [2021] No. 4 ("Circular 4"), which aims to attract companies/investors to develop the headquarter economy of the local areas. Investors/companies that are interested in applying the RHQ preferences in China may refer to the relevant local policies in consideration of their preferable locations to set up the RHQ. As RHQs' assessment criteria and incentives may vary from location to location, investors/companies are recommended to reach out to professionals to seek for assistance if in doubt.

You can click this link to access the full content of the Lin-gang Supporting Measures for RHQs:  
<https://www.lgxc.gov.cn/m/zdgkdetail.html?id=29943>

You can click this link to access the full content of Circular 4:  
[http://www.jiangsu.gov.cn/art/2021/2/3/art\\_46144\\_9664095.html](http://www.jiangsu.gov.cn/art/2021/2/3/art_46144_9664095.html)

► **Notice regarding public opinion consultation on the "Conditions for Enterprises Specialized in Integrated Circuit (IC) Design, Encapsulation, Special-purpose Materials, Packaging and Testing that are Encouraged by the State"**

**Synopsis**

As prescribed in Guofa [2020] No. 8 ("Circular 8", i.e., Notice regarding certain policies for promoting the high-quality development of the IC industry and software industry in the new era), encouraged IC enterprises engaging in design, encapsulation, special-purpose materials, packaging and testing are entitled to a tax holiday of a two-year CIT exemption followed by a three-year 50% reduction of the statutory CIT rate (i.e., 25%, hereinafter referred to as the "two plus three tax holiday") from their first profit making year. According to Circular 8, the relevant requirements and criteria for these enterprises shall be further stipulated by the relevant government authorities.

On 4 February 2021, the Electronic Information Department of the Ministry of Industry and Information Technology (MIIT) announced a Discussion Draft of the "Conditions for Enterprises Specialized in IC Design, Encapsulation, Special-purpose Materials, Packaging and Testing that are Encouraged by the State" (hereinafter referred to as the "Discussion Draft") on its official website to seek public opinion. The consultation of public opinion shall be opened until 5 March 2021.

Concerned enterprises and investors should read the Discussion Draft and are encouraged to express opinions on or before 5 March 2021 by sending emails or fax. As the CIT preferential treatments became effective on 1 January 2020, qualifying enterprises may apply the tax preference in the upcoming 2020 annual CIT filing. It is worth noting that Circular 8 also stipulated a tax preferential treatment for encouraged key IC design and software enterprises, i.e., a tax holiday of five-year CIT exemption from their first profitable year plus a reduced CIT rate of 10% for the following years. However, the detailed requirements and criteria for encouraged key IC design and software enterprises are not yet revealed. 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 Discussion Draft:  
[https://www.miit.gov.cn/gzcy/yjzj/art/2021/art\\_978834d1e73e424fb1f41f79d1aa6bbe.html](https://www.miit.gov.cn/gzcy/yjzj/art/2021/art_978834d1e73e424fb1f41f79d1aa6bbe.html)

You can click this link to access the full content of Circular 8:  
[http://www.gov.cn/zhengce/content/2020-08/04/content\\_5532370.htm](http://www.gov.cn/zhengce/content/2020-08/04/content_5532370.htm)

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

- **2020 Annual Report of Government Information Disclosure of the STA**  
<http://www.chinatax.gov.cn/chinatax/n810214/n810641/n810702/c5161159/content.html>
- **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (23th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (39th Batch)" (MIIT PN [2021] No. 4)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2021/art\\_058690a6bce446dea602106a5f4e58bd.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2021/art_058690a6bce446dea602106a5f4e58bd.html)

- ▶ **Public notice (PN) regarding additional pick-up methods for tourists' offshore duty-free shopping in Hainan (MOF/GAC/STA PN [2021] No. 2)**  
[http://gss.mof.gov.cn/gzdt/zhengcefabu/202102/t20210202\\_3653194.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202102/t20210202_3653194.htm)
- ▶ **Notice regarding matters related to paying taxes and fees with cash (Shuizongbanhan [2021] No. 7)**  
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5161378/content.html>
- ▶ **Action Plan for Building a High-standard Market System**  
[http://www.gov.cn/zhengce/2021-01/31/content\\_5583936.htm](http://www.gov.cn/zhengce/2021-01/31/content_5583936.htm)
- ▶ **Notice regarding accelerating the construction of digital commerce and building a new development pattern**  
<http://www.mofcom.gov.cn/article/zwgk/qztz/202101/20210103035240.shtml>
- ▶ **Administrative Regulations on Pollutant Discharge Permit (State Council Order [2021] No. 739)**  
[http://www.gov.cn/zhengce/content/2021-01/29/content\\_5583525.htm](http://www.gov.cn/zhengce/content/2021-01/29/content_5583525.htm)
- ▶ **Regulations of On-site Inspection of Enterprises Applying for IPO (CSRC PN [2021] No. 4)**  
[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202101/t20210129\\_391603.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202101/t20210129_391603.htm)
- ▶ **Notice regarding the "Work Guidelines on Cross-border Banking Business for Anti-Money Laundering and Countering the Financing of Terrorism (Trial)" (Yinfa [2021] No. 16)**  
<http://www.safe.gov.cn/safe/2021/0201/18168.html>
- ▶ **PN regarding the measures for handling of trade remedy cases against the EU and the UK after Brexit (MOFCOM PN [2021] No. 3)**  
<http://www.mofcom.gov.cn/article/b/c/202102/20210203035894.shtml>
- ▶ **Notice regarding measures for special administration of the investment within the central budget for the construction of major regional development strategies (in the direction of comprehensively promoting and deepening the reform and opening-up in Hainan) (Fagaidiqugui [2021] No. 111)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj//202102/t20210201\\_1266678.html](https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj//202102/t20210201_1266678.html)
- ▶ **Regulations on providing online case filing services for cross-border litigants**  
<http://www.court.gov.cn/fabu-xiangqing-286341.html>
- ▶ **Notice regarding supporting the high-quality development of "specialized, sophisticated, distinctive and innovative" small and medium-sized enterprises (Caijian [2021] No. 2)**  
[https://www.miit.gov.cn/xwdt/qxd/sjdt/art/2021/art\\_4b80c75fe4c446aaa76a536b74577c02.html](https://www.miit.gov.cn/xwdt/qxd/sjdt/art/2021/art_4b80c75fe4c446aaa76a536b74577c02.html)
- ▶ **Report on Development of China's Outward Investment and Economic Cooperation (2020)**  
<http://images.mofcom.gov.cn/fec/202102/20210202162924888.pdf>
- ▶ **Notice regarding matters related to the administration of the bookkeeping industry in 2021 (Caibankuai [2021] No. 1)**  
[http://kjs.mof.gov.cn/gongzuotongzhi/202102/t20210203\\_3653916.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202102/t20210203_3653916.htm)
- ▶ **List of Government Service Items of the Customs (January 2021)**  
<http://gkml.customs.gov.cn/tabid/1165/InfoID/47209/Default.aspx>
- ▶ **PN regarding regulatory requirements on the delivery and pick-up methods for tourists' offshore duty-free shopping in Hainan (GAC PN [2021] No. 13)**  
<http://www.customs.gov.cn/customs/302249/2480148/3539759/index.html>



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ED None.

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