

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.

Business circulars

- ▶ **Notice issued by the Science and Technology Department of Hainan Province regarding the "Rules of Hainan on the Reward for Relocated High and New Technology Enterprises (HNTEs)" (Qiongkegui [2021] No. 5)**
- ▶ **Notice issued by the Science and Technology Department of Hainan Province regarding the "Rules of Hainan on the Reward for Incremental Research and Development (R&D) Expenditures of HNTEs" (Qiongkegui [2021] No. 6)**

Synopsis

The Science and Technology Department of Hainan Province recently issued Qiongkegui [2021] No. 5 ("Circular 5", i.e., Notice issued by the Science and Technology Department of Hainan Province regarding the "Rules of Hainan on the Rewards for Relocated HNTEs") and Qiongkegui [2021] No. 6 ("Circular 6", i.e., Notice issued by the Science and Technology Department of Hainan Province regarding the "Rules of Hainan on the Rewards for Incremental R&D Expenditures of HNTEs"), which respectively clarify relevant reward rules for HNTEs relocated to Hainan and incremental R&D expenditures of HNTEs.

Key features of the two sets of rules are summarized as follows:

Rules of Hainan on the Rewards for Relocated HNTEs

HNTEs that relocate to Hainan as a whole within the validity period of HNTE qualification will be rewarded based on the amounts of fixed asset investment and R&D investment within 12 months after the Hainan removal registration. The rewards shall be 5% of the fixed asset investment or 10% of the R&D investment, up to RMB5 million. The rewards can only be applied once. Specific reward application conditions are clarified in the rules. The rules shall be effective from 11 September 2021 and valid for three years.

Rules of Hainan on the Rewards for Incremental R&D Expenditures of HNTEs

HNTEs will be rewarded 30% of incremental annual R&D expenditures with no more than RMB10 million, RMB2 million and RMB1 million respectively for leading scientific and technological enterprises, enterprises above designated size and other enterprises. The amount of R&D expenditures shall be subject to the "R&D super deduction" declared in the Corporate Income Tax return. Specific reward application conditions are clarified in the rules. The rules shall be effective from 13 September 2021 and valid for three years.

Relevant HNTEs are advised to read Circular 5 and Circular 6 for more details so as to 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 5:

http://dost.hainan.gov.cn/xxgk/xxgkzl/xxgkml/202108/t20210816_3035189.html

You can click this link to access the full content of Circular 6:

http://dost.hainan.gov.cn/xxgk/xxgkzl/xxgkml/202108/t20210816_3035188.html

- ▶ **Public notice (PN) issued by the Commerce Department of Hainan Province regarding public opinion consultation on the "Administrative Measures of Hainan Free Trade Port on the Negative List of Cross-Border Trade in Services (Trial)" (Discussion Draft)**

Synopsis

To cope with the Special Administrative Measures of Hainan Free Trade Port (FTP) for Cross-Border Trade in Services (Negative List) (2021 Version) (hereinafter referred to as the "Negative List") released via MOFCOM Order [2021] No. 3, which shall become effective on 26 August 2021, the Commerce Department of Hainan Province announced the "Administrative Measures of Hainan FTP on the Negative List of Cross-Border Trade in Services (Trial) (Discussion Draft)" (hereinafter referred to as the "Draft Administrative Measures") on 17 August 2021 to seek public opinion. The consultation of public opinion was opened until 24 August 2021.

The Negative List sets out the special administrative measures for provision of cross-border services by overseas service providers in Hainan FTP (through cross-border delivery, overseas consumption, movement of natural persons) in the aspects of national treatment, market access, local existence, cross-border trade in financial services, etc. In this respect, the Draft Administrative Measures proposed to construct a corresponding administrative system in this regard.

It is proposed in the Draft Administrative Measures that the competent departments shall further stipulate detailed implementation measures, explore to establish an accountability system and enforce reform measures in terms of capital inflow/out flow, cross-border information transmission, movement of natural persons, etc. so as to attract overseas service providers to provide related cross-border services in Hainan FTP.

The consultation of public opinion was closed on 24 August 2021, concerned parties may read the Draft Administrative Measures and stay tuned for any further developments, e.g., detailed implementation measures to be stipulated and announced by the local competent departments.

You can click this link to access the full content of the Draft Administrative Measures:

<http://dofcom.hainan.gov.cn/dofcom/0400/202108/da66c5b8cdea48719c131bc14acce134.shtml>

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

<http://www.mofcom.gov.cn/article/b/c/202107/20210703180049.shtml>

- ▶ **PN issued by Hainan Provincial Administration for Market Supervision regarding public opinions consultation on the “Exemption List of Market Entities’ Minor Violations for Market Supervision in Hainan (Discussion Draft)”**

Synopsis

As a part of Hainan’s effort to improve the business environment, on 17 August 2021, the Hainan Provincial Administration for Market Supervision released the “Exemption List of Market Entities’ Minor Violations for Market Supervision in Hainan (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) on its official website to seek public opinion. The consultation of public opinion shall be opened until 29 August 2021.

It is proposed in the Discussion Draft that 22 items of minor violations (as listed in the attachment of the Discussion Draft) shall be exempt from administrative penalties by the local administration bureaus for market supervision in Hainan, provided that they are the entities’ first violations and the entities can promptly rectify the minor violations that cause no serious impact.

These proposed items of minor violations include partnership enterprises’ failure to indicate the forms of partnership in their business names, i.e., the general partnership, the limited partnership and the special general partnership. First violations of the aforementioned items are proposed to be exempt from administrative penalties of RMB2,000 to RMB10,000.

Concerned businesses are encouraged to read the Discussion Draft and stay tuned for the Exemption List of Market Entities’ Minor Violations for Market Supervision in Hainan which is expected to be released soon by the Hainan Provincial Administration for Market Supervision.

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

<https://www.hainan.gov.cn/u/solicitation/6ED7BE76138376E1DF4221F838801E4C>

- ▶ **Notice issued by the Administrative Committee of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone (SHPFTZ) regarding the “Implementation Rules on the Pilot Reform of the Commitment Mechanism for Enterprise Investment Projects in the Lin-gang Special Area” (Huzimaolinguanwei [2021] No. 687)**

Synopsis

To further deepen the reform of the investment and financing system, the Administrative Committee of the Lin-gang Special Area of the SHPFTZ (hereinafter referred to as the “Administrative Committee”) formulated the “Implementation Rules on the Pilot Reform of the Commitment Mechanism for Enterprise Investment Projects in the Lin-gang Special Area” (hereinafter referred to as the “Implementation Rules”) and released it on 14 August 2021.

Key features of the Implementation Rules are as follows:

Applicable object

Applicable objects include all newly built, reconstructed or expanded enterprise investment projects that have formed fixed assets in the industry-city integration area of the Lin-gang Special Area, except for projects that are included in the negative list in Annex I of the Implementation Rules (see Annex I for details), the list of enterprises with dishonest acts in the Lin-gang Special Area, or as otherwise prescribed by law. The construction entity can select some or all items to carry out the commitment mechanism according to its own needs and situation (see Annex II for details).

Implementation process

- ▶ Commitment declaration of entities

A construction entity that is the responsibility subject of the commitment mechanism pilot, shall conduct self-inspection and evaluation before application to assess whether it and other participating construction entities all meet the conditions for the commitment mechanism pilot. After signing the land contract or the project getting approved, the construction entity can apply for the commitment mechanism pilot with the Review and Approval Center by submitting the application letter and commitment letter.

► Independent construction of entities

Items that are implemented with the commitment mechanism can be exempted from prior review and approval. The submission of the commitment letter shall be regarded as obtaining approval documents. The enterprise can design and construct independently according to the promised contents and submit relevant record filing materials online. The construction drawing and design documents do not need to be submitted to relevant authorities for review.

► Review of commitment fulfillment

After the completion of commitments, the construction entity shall organize all parties involved in the construction to carry out self-inspection on the fulfillment of commitments and prepare a self-inspection report. The construction entity may simultaneously apply for the review of commitment fulfillment when applying for the completion acceptance. The Review and Approval Center shall give feedback through the online system upon the approval.

Guarantee mechanism

The Review and Approval Center shall comprehensively upgrade the service force and service system that are compatible with the commitment mechanism. All departments of the Administrative Committee shall further explore the linkage of rewards and penalties for the commitment mechanism based on the credit status, and jointly create an honest and trusted environment in the Lin-gang Special Area.

Implementation Rules shall become effective from 1 September 2021 through 31 August 2023. Relevant entities in the Lin-gang Special Area are advised to read the Implementation Rules and related information in the annexes for more details and observe the regulations.

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

<https://www.lgxc.gov.cn/contents/25/32829.html>

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

- **Notice regarding the redistribution of the import tariff quotas for agricultural products in 2021 (NDRC/MOC PN [2021] No. 6)**
https://www.ndrc.gov.cn/xxgk/zcfb/gg//202108/t20210813_1293742.html
- **Regulations on Security Protection of Key Information Infrastructure (State Council Order [2021] No. 745)**
http://www.gov.cn/zhengce/content/2021-08/17/content_5631671.htm
- **Notice regarding public opinion consultation on the “Regulation on the Prohibition of Unfair Competition on the Internet (Discussion Draft)”**
http://www.samr.gov.cn/hd/zjdc/202108/t20210817_333683.html
- **Guiding opinions on promoting the reform, opening-up and high-quality development of the corporate credit bond market**
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4319971/index.html>
- **Notice regarding the preferential Tonnage Tax rate applicable to taxable vessels of the Republic of Panama (Caiguanshui [2021] No. 39)**
http://gss.mof.gov.cn/qzdt/zhengcefabu/202108/t20210813_3745014.htm
- **PN regarding the preferential Tonnage Tax rate applicable to taxable vessels of the Republic of Panama (GAC PN [2021] No. 61)**
<http://www.customs.gov.cn/customs/302249/2480148/3815772/index.html>



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