

# 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

- ▶ **Public notice (PN) regarding the extension of certain preferential City Construction Tax (CCT) policies (MOF/STA PN [2021] No. 27)**
- ▶ **PN regarding measures for the determination of CCT basis and other matters (MOF/STA PN [2021] No. 28)**

### Synopsis

According to the CCT Law of the People's Republic of China (hereinafter referred to as the "CCT Law") which became effective on 1 September 2021, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2021] No. 27 ("PN 27") and MOF/STA PN [2021] No. 28 ("PN 28") on 24 August 2021 to specify the relevant issues.



Key points are as follows:

► Tax basis for CCT

CCT payable for the period = Value-added Tax (VAT) and Consumption Tax (CT) actually paid by a taxpayer according to the relevant tax regulations<sup>1</sup> + the amount of VAT exemption and credit (增值税免抵税额)<sup>2</sup> - refund of input VAT credits brought forward from previous periods (留抵退税额) - VAT and CT directly exempted<sup>3</sup>

The tax basis for Education Surcharge (ES) and Local ES are also the same as the above.

► Extension of certain earlier issued CCT preferential policies

Six CCT preferential policies that were issued before the effectiveness of the CCT Law were announced to be continued after 1 September 2021, e.g., the policy of the maximum 50% CCT reduction for small-scale VAT taxpayers is valid from 1 January 2019 to 31 December 2021.

PN 27 and PN 28 became effective on 1 September 2021 to cope with the implementation of the CCT Law. Relevant taxpayers are advised to read the rules in detail. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> The amounts of VAT and CT exclude any VAT and CT paid for importation of goods or sales of taxable labor, services or intangible assets by overseas entities and individuals.

<sup>2</sup> The amount of VAT exemption and credit (增值税免抵税额) is calculated for export VAT refund, i.e., under the "Exempt, Credit, refund" Method (免抵退税计算). It refers to VAT payable for domestic sales by a taxpayer that offset by an amount that should have been refunded by the supervising tax authority due to export tax refund. In theory, this amount is still "paid" by the taxpayer instead of being "exempt" due to any preferential VAT policies so the relevant CCT still need to be paid.

<sup>3</sup> VAT and CT directly exempt refers to any VAT and CT exempted due to the prevailing VAT and CT preferential treatments, excluding any VAT and CT refunded under the VAT/CT "Levy First and Rebate Later" (先征后返), "Levy First and Refund Later" (先征后退) or "Same Time Levy and Refund" (即征即退) policies.

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

<http://www.chinatax.gov.cn/chinatax/n365/c5168439/content.html>

You can click this link to access the full content of PN 28:

<http://www.chinatax.gov.cn/chinatax/n365/c5168440/content.html>

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

<http://www.npc.gov.cn/npc/c30834/202008/9591538ccd764bb787e01e729fe0cbbb.shtml>

► **PN regarding four organizations recognized as the charitable mass organizations through which charitable donations made are deductible for income tax purposes for year 2021-2023 (MOF/STA PN [2021] No. 26)**

**Synopsis**

According to the prevailing Corporate Income Tax (CIT) Law and MOF/STA PN [2021] No. 20 ("PN 20", i.e., PN regarding certain matters related to the deduction of charitable donations made through charitable mass organizations for income tax purposes), once approved, the status of charitable mass organizations through which charitable donations made are deductible for CIT and Individual Income Tax (IIT) purposes shall be applicable nationwide and valid for three years.

On 29 July 2021, the MOF and STA jointly released MOF/STA PN [2021] No. 26 ("PN 26") to announce that the four organizations (i.e., the Red Cross Society of China, the All-China Federation of Trade Unions, the China Soong Ching Ling Foundation and the China International Talent Exchange Foundation) are recognized as charitable mass organizations through which charitable donations made are deductible for income tax purposes. The status of the four charitable mass organizations is valid from 2021 and 2023.

IIT and CIT taxpayers that made charitable donations in 2021 may also make reference to MOF/STA/MCA PN [2020] No. 46 (“PN 46”, i.e., PN regarding the list of charitable social organizations through which charitable donations made are deductible for income tax purposes for 2020-2022) and MOF/STA/MCA PN [2021] No. 5 (“PN 5”, i.e., PN regarding the second batch of charitable social organizations through which charitable donations made are deductible for income tax purposes for 2020-2022) before claiming deductions for income tax purposes. If in doubt, consultations with professionals are always helpful.

The Discussion Draft also specifies when the CCT liabilities shall be triggered and filed as well as the relevant tax administration and collection matters.

You can click this link to access the full content of PN 20:  
[http://szs.mof.gov.cn/zhengcefabu/202106/t20210603\\_3714132.htm](http://szs.mof.gov.cn/zhengcefabu/202106/t20210603_3714132.htm)

You can click this link to access the full content of PN 26:  
[http://szs.mof.gov.cn/zhengcefabu/202108/t20210823\\_3747050.htm](http://szs.mof.gov.cn/zhengcefabu/202108/t20210823_3747050.htm)

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 5:  
[http://szs.mof.gov.cn/zhengcefabu/202102/t20210225\\_3662260.htm](http://szs.mof.gov.cn/zhengcefabu/202102/t20210225_3662260.htm)

## Business circular

### ► **Administrative Regulations of the People’s Republic of China (PRC) on the Registration of Market Entities (State Council Order [2021] No. 746)**

#### **Synopsis**

In order to regulate the registration and administration of market entities and promote the construction of a law-based market, on 27 July 2021, the State Council released the Administrative Regulations of the PRC on the Registration of Market Entities (hereinafter referred to as the “Administrative Regulations”) via State Council Order [2021] No. 746 which shall become effective on 1 March 2022.

Key features of the Administrative Regulations are as follows:

#### **Scope of market entities**

The “market entities” mentioned in the Administrative Regulations refer to the following natural persons, legal entities and unincorporated organizations engaged in business activities for profit within the territory of the PRC:

- Companies, unincorporated legal entities and their branches;
- Sole proprietorship and partnership enterprises and their branches;
- Farmers’ professional cooperatives and their branches;
- Self-employed industrial and commercial households;
- Branches of foreign companies;
- Other market entities stipulated by laws and administrative regulations.

#### **Registration requirements**

A market entity shall register in accordance with the Administrative Regulations so as to be allowed to engage in business activities in the name of the market entity. The market entity registration can be establishment registration, modification registration and deregistration.



General registration items include name, entity type, business scope, domicile or main business premise, registered capital or capital contribution, name of legal representative, executive partner or person in charge, etc.

Where a market entity needs to change its registration items, it shall apply for modification registration with the registration authority within 30 days from the date of making the resolution or decision on the change or the occurrence of the statutory modification.

### Application materials

To apply for the registration of a market entity, a market entity should submit the following materials and should be responsible for the authenticity, legality and validity of the materials submitted:

- ▶ Application form;
- ▶ The applicant's qualification documents and natural persons' identity certificates;
- ▶ Relevant documents of the domicile or main business premise;
- ▶ Articles of association or partnership agreement of the company, unincorporated legal entity or farmers' professional cooperative;
- ▶ Other materials required by laws, administrative regulations and the market supervision and administration authorities under the State Council.

In addition, the Administrative Regulations also specify the relevant provisions on the supervision, administration and legal responsibilities of market entity registration. Market entities are advised to read the Administrative Regulations for more details and observe the regulations. If in doubt, consultations with professionals are always recommended.

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

[http://www.gov.cn/zhengce/content/2021-08/24/content\\_5632964.htm](http://www.gov.cn/zhengce/content/2021-08/24/content_5632964.htm)

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

- ▶ **Interpretations on several issues concerning the "Law of the PRC on Anti-unfair Competition" (Discussion Draft)**  
<http://www.court.gov.cn/zixun-xiangqing-318221.html>
- ▶ **Regulations on the Administration of Automotive Data Security (Trial) (CAC/NDRC/MIIT/MPS/MOT Order [2021]No. 7)**  
[http://www.cac.gov.cn/2021-08/20/c\\_1631049984897667.htm](http://www.cac.gov.cn/2021-08/20/c_1631049984897667.htm)
- ▶ **Notice regarding public opinion consultation on the industry standards of the "Administration and Service Specification of Livestreaming E-commerce Platforms" (Discussion Draft)**  
<http://www.mofcom.gov.cn/article/b/d/202108/20210803189242.shtml>
- ▶ **Law of the PRC on Personal Information Protection (Chairman Order [2021]No. 91)**  
<http://www.npc.gov.cn/npc/c30834/202108/a8c4e3672c74491a80b53a172bb753fe.shtml>
- ▶ **Opinions on further regulating and rectifying financial audits and promoting the healthy development of the CPA industry (Guobanfa [2021]No. 30)**  
[http://www.gov.cn/zhengce/content/2021-08/23/content\\_5632714.htm](http://www.gov.cn/zhengce/content/2021-08/23/content_5632714.htm)
- ▶ **Notice regarding the "Provisional Measures for the Rewards for Reporting Major Violations in the Field of Market Regulation" (Guoshijianjigui [2021] No. 4)**  
[http://gkml.samr.gov.cn/nsjg/zfjcj/202108/t20210820\\_333838.html](http://gkml.samr.gov.cn/nsjg/zfjcj/202108/t20210820_333838.html)

- ▶ **Notice regarding public opinion consultation on the “Law of the PRC on Science and Technology Progress (Revised Draft)”**  
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff8081817b5e8676017b615ff7eb0315>
- ▶ **Notice regarding public opinions consultation on the “PN Issued by the People’s Bank of China, State Administration for Market Regulation and State Administration of Foreign Exchange Regarding the Regulations on the Trading of RMB and Related Administration (Discussion Draft)”**  
<http://www.safe.gov.cn/safe/2021/0823/19652.html>
- ▶ **Notice regarding public opinions consultation on the “Decisions on Revising Certain Regulations and Regulatory Documents in Accordance with the Newly Revised Law of the PRC on Administrative Penalties (Discussion Draft)”**  
[http://www.samr.gov.cn/hd/zjdc/202108/t20210820\\_333889.html](http://www.samr.gov.cn/hd/zjdc/202108/t20210820_333889.html)
- ▶ **Notice regarding supporting the development of offline retail, accommodation and catering, foreign investment and trade and other market entities (Shangcaihan [2021] No. 442)**  
<http://www.mofcom.gov.cn/article/b/fwzl/202108/20210803191979.shtml>
- ▶ **Administrative measures for the insurance clauses and premium rates of property insurance companies (CBIRC Order [2021] No. 10)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1003640&itemId=928>
- ▶ **Notice regarding the approval and supervision of radiopharmaceutical manufacturers and operators (Yaojianzongyaoquan [2021] No. 73)**  
<https://www.nmpa.gov.cn/xxgk/fqwj/gzwj/gzwjyp/20210825170157175.html>
- ▶ **Notice regarding public opinions consultation on the “Implementation Measures for the Hearing of Administrative Penalties of Financial Authorities (Discussion Draft)”**  
[http://tfs.mof.gov.cn/zhengcefabu/202108/t20210826\\_3748462.htm](http://tfs.mof.gov.cn/zhengcefabu/202108/t20210826_3748462.htm)
- ▶ **Notice regarding further deepening the reform of cross-border trade facilitation and optimizing port business environment (Shuanfa [2021] No. 85)**  
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/3833843/index.html>



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