

# 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

### ► Decision on authorizing the State Council to carry out pilot work on Real Estate Tax (RET) reform in certain areas

#### Synopsis

On 23 October 2021, the Standing Committee of the National People's Congress passed the Decision on authorizing the State Council to carry out pilot work on RET reform in certain areas (hereinafter referred to as the "Decision"). It means that, since the pilot run of RET reform in Shanghai and Chongqing in 2011, the pilot RET reform shall finally be expanded to include more pilot areas (the list of the pilot areas has not yet been announced).



Key features of the Decisions are as follows:

Items	Details
Scope of taxation	All types of residential and non-residential properties in the pilot areas, excluding legally owned rural homesteads and residences built on these rural homesteads.
Taxpayers	Owners of land use right and real properties.

The State Council shall stipulate the detailed measures on the pilot RET reform, the local governments of the pilot areas should then formulate the local implementation measures in this regard. Accordingly, the RET administration/collection details shall be further stipulated by the State Council, relevant central government authorities and local governments of the pilot areas.

The pilot shall be implemented for five years from the promulgation date of the detailed measures to be stipulated by the State Council. The RET reform aims to guide the rational consumption of housing and the economical and intensive use of land resources, and promote the steady and sound development of the property market of China.

We have issued a WeChat news article (in Chinese) to discuss the Decision 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 and search key words to access the full contents of the alert. 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 Decision:

<http://www.npc.gov.cn/npc/kgfb/202110/0c62b16ed76f49799ee6454a8eba0a5d.shtml>

► **Notice regarding the “Administrative Rules on Tax-free Importation of Supplies for Scientific Research, Technology Development and Education by Scientific Research Institutes” (Guokefazheng [2021] No. 270)**

### **Synopsis**

To implement the policies<sup>1</sup> of tax-free importation of supplies for scientific research, technology development and education by scientific research Institutes, the Ministry of Science and Technology (MOST), Ministry of Finance (MOF), General Administration of Customs (GAC) and State Taxation Administration (STA) jointly formulated the “Administrative Rules on Tax-free Importation of Supplies for Scientific Research, Technology Development and Education by Scientific Research Institutes” (hereinafter referred to as the “Administrative Rules”) and released via Guokefazheng [2021] No. 270 on 30 September 2021.

According to the Administrative Rules, various scientific research institutes are defined as follows. They shall lodge application to relevant authorities, once approved, the relevant institutes apply to the competent customs for tax reduction or exemption for imported supplies for scientific research, technology development and education:

### **Scientific research institute**

Central-level scientific research institutes refer to public institutes approved and established by the departments, commissions and people’s organizations of central and state authorities, which are mainly engaged in basic research, public welfare research and applied technology research and development.

### **Scientific research base**

Scientific research bases refer to those national laboratories, national key laboratories, national key enterprises laboratories, national technology innovation centers, national clinical medicine research centers and national engineering technology research centers that are approved by the MOST.

## Transformed scientific research institute

Transformed scientific research institutes refer to institutes that are engaged in scientific research and technology development and are transformed into enterprises.

## Social research and development (R&D) institutes

Social technology R&D institutes shall submit relevant materials to the competent authority to apply for tax exemption status.

## Change and supervision

In case of division, merger, cancellation, change of name or business scope of a scientific research institute, where it meets the criteria for tax exemption after the change upon verification, it can continue to enjoy the import tax policies supporting technology innovation from the date of registration of the change. Otherwise, it shall no longer enjoy the policies from the date of registration of the change.

Any institute with fraudulent acts upon the verification of tax exemption status shall no longer enjoy the import tax policies supporting technology innovation and shall pay back the corresponding taxes that were reduced or exempted.

The Administrative Rules shall be effective from 1 January 2021 through 31 December 2025. Relevant scientific research Institutes are advised to read the Administrative Rules for details so as to fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> According to Caiguanshui [2021] No. 23 ("Circular 23", i.e., Notice regarding the import-level tax policies for supporting technology innovation during the 14th Five-Year Plan period), importation of production materials (that cannot be produced or meet the requirements domestically) for science research, technological development and education purpose by qualifying entities (i.e., science and research institutions, technological development institutions, schools, party schools (schools of administration) and libraries) shall be exempt from import-level Customs Duty, Value-added Tax (VAT) and Consumption Tax; importation of books and materials for scientific research and education purposes by publication import entities for science and research institutes, schools, party schools (schools of administration) and libraries shall be exempt from import-level VAT.

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

[http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2021/202110/t20211019\\_177341.html](http://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fqzc/gfxwj/gfxwj2021/202110/t20211019_177341.html)

You can click this link to access the full content of Circular 23:

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202104/t20210420\\_3688785.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202104/t20210420_3688785.htm)

## Business circulars

- **Approval on temporarily adjusting the implementation of relevant administrative regulations and departmental rules approved by the State Council in Beijing (Guohan [2021] No. 106)**

### Synopsis

According to Guohan [2020] No. 123 ("Circular 123", i.e., Approval on the work plan of further opening up the service sector in Beijing and building a national comprehensive demonstration zone for expanding the open-up of service sector), the State Council released Guohan [2021] No. 106 ("Circular 106") to approve the temporary adjustments on the implementation of certain administrative regulations and departmental rules in Beijing.



Key features covered in Circular 106 include (you can click the titles of the relevant regulations/rules to access the full contents):

Relevant administrative regulations and departmental rules	Contents of adjustments in brief
<a href="#">Administrative Regulations on Foreign-invested Telecommunications Enterprises</a>	<ul style="list-style-type: none"> <li>▶ The limit of foreign investment ratio for app store in Haiding Park of Zhongguancun National Innovation Demonstration Zone shall be removed.</li> <li>▶ The limit of foreign investment ratio for internet access services in pilot comprehensive demonstration zones and parks in Beijing shall be removed.</li> </ul>
<a href="#">Scope of foreign investments subject to special access control (2020 version)</a>	<ul style="list-style-type: none"> <li>▶ Allow foreign telecommunications enterprises to establish Sino-foreign owned telecommunications enterprises (with foreign investment ratio not exceeding 50%) to provide domestic internet protocol virtual private network services to foreign invested enterprises in Beijing.</li> <li>▶ Allow Sino-foreign owned enterprises to engage in the production of audio and video products within a few listed areas in Beijing (the Chinese counterparts should lead the operation and hold the final approval right for products).</li> </ul>
<a href="#">Regulations on Travel Agencies</a>	Qualified foreign invested travel agencies can be incorporated in Beijing to engage in outbound travel agency services (except for outbound travel agency services to Taiwan).
<a href="#">Provisional Administrative Regulations on Registration of Private Non-enterprise Entities</a>	Relax the restriction for the entry of not-for-profit foreign invested private non-enterprise entities engaging in elderly care services.

The relevant adjustments became effective on the promulgation date of Circular 106, i.e., 8 October 2021 and the previously issued Guohan [2019] No. 111 ("Circular 111", i.e., Approval on temporarily adjusting the implementation of relevant administrative regulations and departmental rules approved by the State Council in Beijing) was superseded simultaneously.

The detailed implementation rules shall be further stipulated and launched by the relevant government authorities. Relevant parties can consider planning ahead based on the details provided in Circular 106. 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 Circular 106:

[http://www.gov.cn/zhengce/content/2021-10/18/content\\_5643327.htm](http://www.gov.cn/zhengce/content/2021-10/18/content_5643327.htm)

You can click this link to access the full content of Circular 123:

[http://www.gov.cn/zhengce/content/2020-09/07/content\\_5541291.htm](http://www.gov.cn/zhengce/content/2020-09/07/content_5541291.htm)

You can click this link to access the full content of Circular 111:

[http://www.gov.cn/zhengce/content/2020-08/11/content\\_5534081.htm](http://www.gov.cn/zhengce/content/2020-08/11/content_5534081.htm)

- Public notice (PN) regarding the financial derivatives accessible to Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) (CSRC PN [2021] No. 24)

## Synopsis

According to the Administrative Measures on Domestic Securities and Futures Investments by QFII and RQFII (hereinafter referred to as the “Administrative Measures”) jointly issued by the China Securities Regulatory Commission (CSRC), People’s Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE) on 25 September 2020, the CSRC, after discussing with the PBOC and SAFE, released CSRC PN [2021] No. 24 (“PN 24”) on 13 October 2021.

Pursuant to PN 24, from 1 November 2021, QFII and RQFII shall be allowed to engage in trading of domestic listed commodity futures, commodity options, and stock index options. Among these, trading of stock index options shall be limited for the sole purpose of hedging.

It is obvious that the China government is further opening up domestic securities and futures market as they are relaxing the investment scope for QFII and RQFII which aims to attract overseas investors.

Overseas investors are advised to read PN 24 for more details so as to leverage the opportunities timely. It is anticipated that the investment scope for overseas investors would be further expanded. 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 PN 24:

[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202110/t20211015\\_407092.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202110/t20211015_407092.htm)

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

[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202009/t20200925\\_383650.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202009/t20200925_383650.htm)

► Notice regarding public opinions consultation on the revisions to the "Guiding Catalog of Industrial Structure Adjustment (2019 Version)"

## Synopsis

According to the work deployment on the rectification of virtual currency “mining” activities, the National Development and Reform Commission (NDRC) and relevant departments have revised the “Guiding Catalog of Industrial Structure Adjustment (2019 Version)” (hereinafter referred to as the “Revised Draft”), and released to the public to seek public opinions on 21 October 2021.

According to the Revised Draft, the specific amendments are as follows:

Item 7, which is the “virtual currency ‘mining’ activity”, is added to the “(18) others” of the eliminated category of “I. Backward Production Technology and Equipment” in the Revised Draft.

Relevant parties are encouraged to express opinion on or before 21 November 2021 by logging onto the official websites of the NDRC (i.e., [www.ndrc.gov.cn](http://www.ndrc.gov.cn)) or by sending emails to [cys@ndrc.gov.cn](mailto:cys@ndrc.gov.cn).

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

[https://hd.ndrc.gov.cn/yjzx/yjzx\\_add.jsp?SiteId=372](https://hd.ndrc.gov.cn/yjzx/yjzx_add.jsp?SiteId=372)



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

- ▶ **Guiding opinions on optimizing services and conducting risk prevention and control for bank accounts of small and micro-sized enterprises**  
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4360811/index.html>
- ▶ **Notice regarding the “Compliance and Prudence Evaluation of Banking Foreign Exchange Business” (Huizongfa [2021] No. 64)**  
<http://www.safe.gov.cn/safe/2021/1014/20044.html>
- ▶ **Opinions on the pilot arbitration in the securities and futures industry in accordance with law (CSRC PN [2021] No. 25)**  
[http://www.csrc.gov.cn/pub/zjhpublic/zjh/202110/t20211015\\_407097.htm](http://www.csrc.gov.cn/pub/zjhpublic/zjh/202110/t20211015_407097.htm)
- ▶ **Additional Regulatory Provisions on Systemically Important Banks (Trial) (PBC/CBIRC Order [2021] No. 5)**  
<http://www.pbc.gov.cn/tiaofasi/144941/144957/4361118/index.html>
- ▶ **Application conditions and procedures for state-owned trading enterprises exporting tungsten, stibium and silver for year 2022-2023 (MOC PN [2021] No. 32)**  
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202110/20211003207967.shtml>
- ▶ **Reply on the online approval and supervision platform of the construction investment projects for supporting the eco-friendly and integrated development of the Yangtze River Delta Region Demonstration Zone (Fagaibantouzi [2021] No. 766)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202110/t20211015\\_1299802.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202110/t20211015_1299802.html)
- ▶ **Approval on matters related to the recognition standards of “Intentional Infringement of Intellectual Property Rights” (Guozhifabaozhanzi [2021] No. 161)**  
[http://www.cnipa.gov.cn/art/2021/10/18/art\\_545\\_170833.html](http://www.cnipa.gov.cn/art/2021/10/18/art_545_170833.html)
- ▶ **Notice regarding the “Development Plan for Trade in Services During the 14th Five-year Plan Period”**  
<http://www.mofcom.gov.cn/article/zcfb/zcfwmy/202110/20211003209143.shtml>
- ▶ **Notice regarding the “Implementation Plan of the Ministry of Ecology and Environment on Deepening the Reform of ‘Separating Permits from Business Licenses’ and Further Stimulating the Vitality of Market Entities” (Huanbanrenshihan [2021] No. 467)**  
[https://www.mee.gov.cn/xxgk2018/xxgk/xxgk06/202110/t20211018\\_956917.html](https://www.mee.gov.cn/xxgk2018/xxgk/xxgk06/202110/t20211018_956917.html)
- ▶ **Notice regarding utilizing the policy of tourism service quality deposit to further support the discovery and development of travel agencies (Banshichangfa [2021] No. 195)**  
[http://zwgk.mct.gov.cn/zfxxgkml/scgl/202110/t20211019\\_928423.html](http://zwgk.mct.gov.cn/zfxxgkml/scgl/202110/t20211019_928423.html)
- ▶ **Outline for the Construction of the Chengdu-Chongqing Economic Circle**  
[http://www.gov.cn/zhengce/2021-10/21/content\\_5643875.htm](http://www.gov.cn/zhengce/2021-10/21/content_5643875.htm)
- ▶ **Opinions on regulating the application and development of open source technology in the financial industry (Yinbanfa [2021] No. 146)**  
<http://www.pbc.gov.cn/zhengwugongkai/4081330/4081344/4081395/4081686/4364505/index.html>
- ▶ **Opinions on strictly restraining energy efficiency to improve energy conservation and lower carbon emissions (Fagaichanye [2021] No. 1464)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202110/t20211021\\_1300583.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202110/t20211021_1300583.html)
- ▶ **Notice regarding adjusting the supervision methods corresponding to the nature of tax collection and exemption under the import tax policies for supporting the development of integrated circuit and software industries (Shuiguanhan [2021] No. 116)**  
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/3958903/index.html>

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