

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.

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Tax circular

- **Notice regarding the preferential Corporate Income Tax (CIT) policies for newly established enterprises in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos (Caishui [2021] No. 27)**

Synopsis

In order to promote the development of Xinjiang, on 18 May 2021, the Ministry of finance and State Taxation Administration jointly issued Caishui [2021] No. 27 ("Circular 27") to announce the preferential CIT policies for newly established enterprises in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos.

Circular 27 was issued to extend the previous Circular Caishui [2011] No. 53 ("Circular 53", i.e., Notice regarding the CIT preferential policies for newly established enterprises in financially strained regions of Xinjiang) in which a tax holiday of "a two-year CIT exemption followed by a three-year 50% reduction of CIT" was granted to eligible enterprises starting from their first income-generating year from 1 January 2011 to 31 December 2020.

Key features of Circular 27 are as follows:

Items	Details
Eligible taxpayers	<p>Newly established enterprises mainly engaging in industries listed in the “Catalog of Key Encouraged Industries in Financially Strained Regions of Xinjiang” (hereinafter referred to as the “New Catalog”) in financially strained regions and the two special economic development zones in Kashgar and Khorgos.</p> <p>Such newly established enterprises should derive over 60% of their income from the key encouraged industries (the previous required ratio in Circular 53 was 70%).</p>
Tax preferential treatment	<ul style="list-style-type: none"> From 1 January 2021 to 31 December 2030, a tax holiday of “a two-year CIT exemption followed by a three-year 50% reduction of CIT (based on the statutory CIT rate of 25%)” is available for eligible enterprises in financially strained regions of Xinjiang starting from their first income-generating year. From 1 January 2021 to 31 December 2030, eligible taxpayers in the two special economic development zones in Kashgar and Khorgos shall be applicable to a five-year CIT exemption starting from their first income-generating year.
Other miscellaneous items	<ul style="list-style-type: none"> The first income refers to the income initially derived from the projects of the key encouraged industries as listed in the New Catalog upon the establishment and operation of the projects. The relevant industrial departments at the provincial level shall determine whether the projects engaged by the enterprises fall into the scope of the New Catalog upon the tax authorities’ requests. The New Catalog shall be further announced by the relevant government authorities.

Transitional arrangements

	Started tax holiday by 31 December 2020	Also mainly engaged in industries listed in the New Catalog	Eligibility for the tax holiday after 1 January 2021
Taxpayers engaged in key encouraged industries listed in the 2016 version of “Trial Catalog of key encouraged industries in financially strained regions of Xinjiang” (hereinafter referred to as the “2016 Catalog”)	√	X	Y ¹
	√	√	Y ²
	X	X	N/A
	X	√	Y ³

As the New Catalog is not yet announced, relevant taxpayers should stay tuned for any latest developments.

¹ Such enterprises may continue to enjoy the tax holiday according to Circular 53 as well as Caishui [2011] No. 112 (“Circular 112”, i.e., Notice regarding the CIT policies for newly established enterprises in two special economic development zones in Kashgar and Khorgos, Xinjiang).

² Such enterprises may continue to enjoy the remaining tax holiday according to Circular 27.

³ Such enterprises may be considered as newly established enterprises and shall reference to Circular 27 for their eligibility.

You can click this link to access the full content of Circular 27:
https://xinjiang.chinatax.gov.cn/sszc/zxwj/202107/t20210705_85628.htm

You can click this link to access the full content of Circular 53:
http://www.gov.cn/zwgk/2011-06/24/content_1891876.htm

You can click this link to access the full content of Circular 112:
<http://www.chinatax.gov.cn/chinatax/n362/c204109/content.html>

You can click this link to access the full content of the 2016 Catalog:
http://szs.mof.gov.cn/zhengcefabu/201910/t20191031_3413822.htm

Business circulars

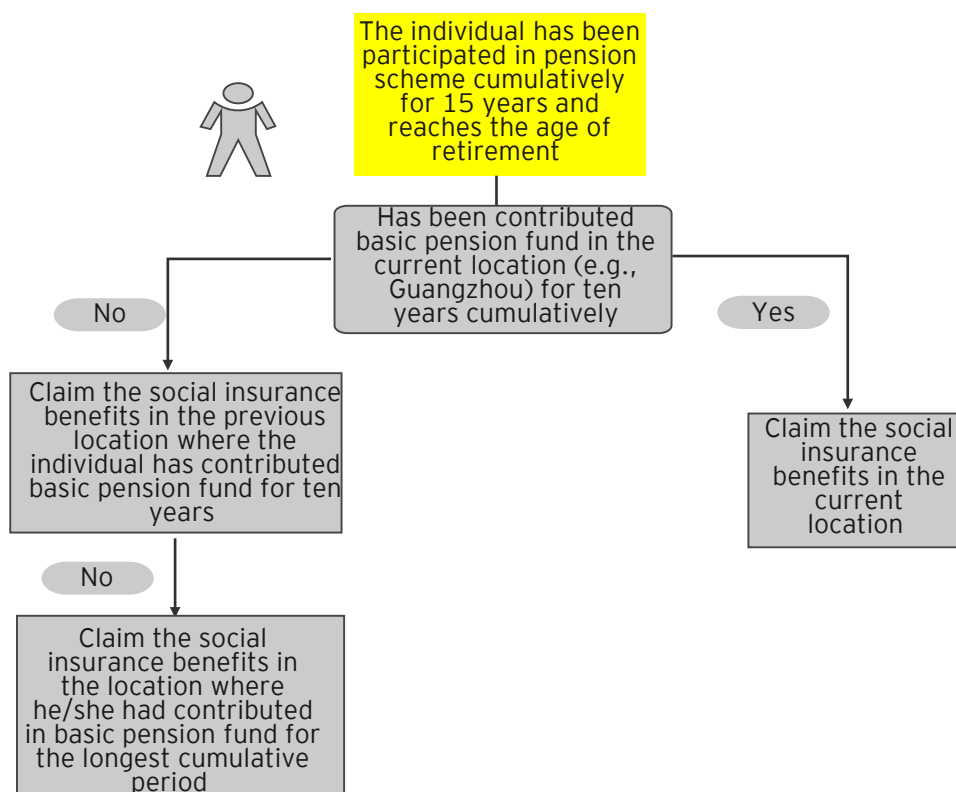
► Notice regarding the reply on certain matters related to foreigners participating in the pension scheme (Renshetingham [2021] No. 139)

Synopsis

According to the Provisional Measures for Foreigners Contributing to Social Security in China (hereinafter referred to as the “Provisional Measures”), foreign nationals who work in Mainland China are required to participate in the pension scheme in Mainland China from 2011.⁴

On 18 October 2021, the general office of the Ministry of Human Resources and Social Security released Renshetingham [2021] No. 139 (“Circular 139”) as an official reply to Guangdong resources and social security department for certain matters in this regard:

► Claiming social insurance benefits in case of retirement⁵



- ▶ For foreign nationals who have obtained permanent resident status in China and have not been participating in pension scheme in China for 15 years or longer when they reach the retirement age in China, they may extend their contribution for 15 years on a cumulative basis.

According to the prevailing rules, employees who contribute in pension scheme for more than 15 years can receive basic pension on a monthly basis after their retirement. However, as most foreign nationals would not be participating in the pension scheme in Mainland China for more than 15 years, they are not eligible for claiming social insurance benefits when retire. In this case, they may choose to withdraw their individual account balance when they are leaving Mainland China.

Relevant individuals are advised to study the Provisional Measures and Circular 139 in detail. If in doubt, consultations with professionals are always recommended.

⁴ In the meantime, details regarding the requirements of residents of Hong Kong, Macau and Taiwan who are employed by enterprises in Mainland China to participate in pension scheme were governed by local rules, e.g., Chengsheban [2011] No. 60 ("Circular 60", i.e., Notice regarding the contribution of social securities by foreigners and residents of Hong Kong, Macau and Taiwan that work in Chengdu), etc. The National rule in this regard was announced in 2019 via MOHRSS/NHSA Order [2019] No. 41 ("Order 41", i.e., the Provisional Measures for Hong Kong, Macao and Taiwan Residents making Social Security Contributions in Mainland China). Residents of Hong Kong, Macau and Taiwan should refer to Order 41 for guidance.

⁵ According to the prevailing rules, the general legal age of retirement in Mainland China is 60 for male, 55 or 50 for female (depending on her status).

You can click this link to access the full content of Circular 139:

<https://file.smejs.cn/group1/M00/01/64/rBIAAWGI5c6Aa-HDABEC6XVlg9g221.pdf>

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

http://www.mohrss.gov.cn/SYrlzyhshbzb/zcfg/flfg/gz/201601/t20160112_231574.html

You can click this link to access the full content of Order 41:

http://www.gov.cn/xinwen/2019-12/02/content_5457637.htm

▶ **Notice regarding the recognition of the 2021 National Technology Business Incubators (NTBIs) (Guokehuozi [2021] No. 161)**

Synopsis

On 4 November 2021, the Torch High Technology Industry Development Center of the Ministry of Science and Technology issued a notice concerning the recognition of the 2021 NTBIs via Guokehuozi [2021] No. 161 (hereinafter referred to as "Circular 161").

According to Circular 161, to apply for the NTBI recognition of this year, an incubation institution must be registered and started operation before 31 October 2018. The applicant shall log onto the "Information Service System of Technology Entrepreneurship Incubation Institutions"

(<https://tyrz.chinatorch.org.cn/hjism/a/login#fhqqy>) to fill in the information online.

Provincial-level science and technology competent authorities shall first publicize the technology business incubators to be recommended, and then submit the materials no later than 1 December 2021. In the case of favoritism and fraud in the review process and fraud in the application materials, a notice of criticism will be issued for the relevant responsible personnel, and the NTBIs application qualification of relevant institutions will be cancelled.

Recognized NTBIs can enjoy certain preferential tax policies, including: the real estate and land provided for their own use, free of charge or leased to incubated entities shall be exempt from Real Estate Tax and Urban Land Use Tax; the income obtained from providing incubation services shall be exempt from Value-added Tax.

Enterprises planning to apply for NTBIs status are advised to make reference to Circular 161 for more details and submit the application in time.

You can click this link to access the full content of Circular 161:

<http://www.chinatorch.gov.cn/kjb/tzgg/202111/457880805735431cac41d8736c7f6727.shtml>

- ▶ **Notice issued by the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) regarding public opinions consultation on the "Notice Regarding Certain Matters Related to provide support to the Development of a new type of Offshore International Trade (Discussion Draft)"**

Synopsis

In order to implement Guobanfa [2021] No. 24 ("Circular 24", i.e., "Opinions on accelerating the development of new business models of foreign trade"), on 11 November 2021, the PBOC and SAFE jointly prepared the "Notice regarding certain matters related to provide support to the development of a new type of offshore international trade (discussion draft)" (hereinafter referred to as the "Discussion Draft"), and released to the public to seek opinions.

Some key points mentioned in the Discussion Draft are as follows:

Clearer definition

The Discussion Draft clarifies the new type of offshore international trade eligible for the more flexible treatment as stated below, making it clear that the new type of offshore international trade shall have the characteristics that goods involved in the transaction do not enter or exit China's first-line customs territory or are not included in the customs statistics, examples listed like global procurement, offshore buy-sell transactions. This can facilitate banks to determine what types of business should be covered.

Detailed requirements

According to the Discussion Draft, banks are required to carry out due diligence in advance, implement customer classification, optimize business review, strengthen post-event monitoring, focus on supporting the new type of offshore international trade based on the innovative development of the real economy and improving the integrity of the industrial supply chain.

Standards of review

According to the Discussion Draft, banks shall review the new type of offshore international trade based on the principle of "substance over form" and independently determine the types of transaction documents that need to be reviewed and verify that the transactions are true, legal, commercially reasonable and logical.

Integrated administration of domestic and foreign currencies

According to the Discussion Draft, under the premise of preventing risks, the PBOC and SAFE shall conduct the integrated administration of domestic and foreign currencies for the cross-border fund settlement of the new type of offshore international trade to support the development of offshore trade.

Risk monitoring

According to the Discussion Draft, banks shall report abnormal transactions in a timely manner, adjust the customer risk classification of enterprises and strictly review follow-up business in accordance with internal control requirements.

Relevant parties are encouraged to express opinions on or before 26 November 2021 by sending emails to RMB@pbc.gov.cn or current@mail.safe.gov.cn.

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

<http://www.safe.gov.cn/safe/2021/1111/20176.html>

You can click this link to access the full content of Circular 24:

http://www.gov.cn/zhengce/content/2021-07/09/content_5623826.htm

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

- ▶ **Notice regarding the list of tax-exempt imported supplies for scientific research, technology development and education during the 14th Five-year Plan period (first batch) (Caiguanshui [2021] No. 44)**
http://gss.mof.gov.cn/gzdt/zhengcefabu/202111/t20211105_3763557.htm
- ▶ **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (32nd Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (48th Batch)", etc. (MIIT PN [2021] No. 31)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2021/art_1b29d7093e9c45a6ab41fee28f16df0e.html
- ▶ **Measures for the Discretion of Administrative Penalties for Foreign Exchange Administration (Huizongfa [2021] No. 68)**
<http://www.safe.gov.cn/safe/2021/1105/20154.html>
- ▶ **Notice regarding the implementation measures for the administrative licensing and record filing of insurance agencies (CBIRC Order [2021] No. 12)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1016457&itemId=928>
- ▶ **Guiding opinions on enhancing industry-finance cooperation to promote industrial green development (Gongxinbuliancai [2021] No. 159)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2021/art_77c69053e7174d63920c1406fa0567c7.html
- ▶ **Opinions on deepening the efforts to win the battle against pollution**
http://www.gov.cn/zhengce/2021-11/07/content_5649656.htm
- ▶ **Notice regarding the plan for cultural relics protection and technology innovation during the 14th Five-year Plan period (Guobanfa [2021] No. 43)**
http://www.gov.cn/zhengce/content/2021-11/08/content_5649764.htm
- ▶ **Notice regarding the implementation plan for promoting the high-quality development of active pharmaceutical ingredients industry (Fagaichanye [2021] No. 1523)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202111/t20211109_1303461.html
- ▶ **Notice regarding the "National Plan for Promoting Clean Production During the 14th Five-year Plan Period" (Fagaihuanzi [2021] No. 1524)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202111/t20211109_1303467.html
- ▶ **Administrative Regulations on Groundwater (State Council Order [2021] No. 748)**
http://www.gov.cn/zhengce/content/2021-11/09/content_5649924.htm
- ▶ **Notice regarding further strictly cracking down abnormal patent applications of agencies (Guozhifayunhanzi [2021] No. 178)**
https://www.cnipa.gov.cn/art/2021/11/10/art_75_171329.html
- ▶ **Opinions on encouraging and supporting social capital to participate in ecological protection and restoration (Guobanfa [2021] No. 40)**
http://www.gov.cn/zhengce/content/2021-11/10/content_5650075.htm
- ▶ **Notice regarding the "Implementation Plan for Promoting the High-quality Development of Resource-based Regions During the 14th Five-year Plan Period" (Fagaizhenxing [2021] No. 1559)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202111/t20211112_1303790.html?code=&state=123
- ▶ **Notice issued by the State Administration for Market Supervision regarding public opinions consultation on the "Public Notice Regarding Promoting the Reform of 'Separating Permits from Business Licenses' for the Qualification Approval of Certification Agencies Nationwide (Discussion Draft)"**
http://www.samr.gov.cn/hd/zjdc/202111/t20211111_336675.html

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