

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

- ▶ Public notice (PN) regarding extending the execution period of the preferential Corporate Income Tax (CIT) and Value-added Tax (VAT) policies for foreign Institutions investing in China's domestic bond market (MOF/STA PN [2021] No. 34)

Synopsis

According to Caishui [2018] No. 108 ("Circular 108", i.e., Notice regarding CIT and VAT policies on foreign institutions investing in domestic bond market) released on 7 November 2018, from 7 November 2018 to 6 November 2021, interest income of foreign institutions deriving from investments in domestic bond market shall be exempt from CIT and VAT.

To continue promoting the opening-up of China's domestic bond market, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2021] No. 34 ("PN 34") on 22 November 2021 to extend the execution period of Circular 108.

Accordingly, from 7 November 2021 to 31 December 2025, foreign institutions deriving interest income from investments in domestic bond market shall be exempt from CIT and VAT. Notwithstanding the above, it should be noted that the CIT exemption shall not apply to interest income that is attributable to the establishment or sites established by those foreign institutions within the territory of the People's Republic of China (PRC).

You can click this link to access the full content of PN 34:

http://szs.mof.gov.cn/zhengcefabu/202111/t20211126_3769411.htm

You can click this link to access the full content of Circular 108:

<http://www.chinatax.gov.cn/n810341/n810755/c3912855/content.html>

Business circulars

- ▶ Notice regarding public opinions consultation on the "Specifications for Registration Documents of Market Entities (Discussion Draft)" and "Specifications for Materials Submitted for Registration of Market Entities (Discussion Draft)"

Synopsis

To implement the "Administrative Regulations of the PRC on the Registration of Market Entities" (hereinafter referred to as the "Administrative Regulations") which will become effective on 1 March 2022, the State Administration for Market Regulation (SAMR) prepared the "Specifications for Registration Documents of Market Entities (Discussion Draft)" and "Specifications for Materials Submitted for Registration of Market Entities (Discussion Draft)" (hereinafter referred to as the "Discussion Drafts") to comprehensively revise the prevailing specifications for registration documents and materials of market entities. The two Discussion Drafts were released to the public to seek public opinions on 1 December 2021.

Key principles and changes of the Discussion Drafts are summarized as follows:

Principles of revision

- Integrate the application documents of various market entities and summarize the specifications for materials to comply with the requirements for registration of market entities.
- Reduce unnecessary registration certification materials and items required to be reviewed, and no longer require applicants to submit materials repeatedly for the data that can be obtained through information sharing between departments.
- Reduce filling requirements (e.g., removing pasting copies of certificates) in the paper application process to enhance the information collection function of application documents.
- Take identity authenticity as the prerequisite for registration and build a signature-based registration system to enhance the important role of real-name verification.

Revision changes

According to the two Discussion Drafts, the form types are simplified, the registration requirements are clarified, the specifications for registration documents are greatly compressed and integrated, and the specifications for materials submission are elaborated.

After the revision, the number of application documents for registering a market entity is reduced from 15 to 12; the number of notification documents is reduced from 36 to 14, and the number of review documents is reduced from 32 to 15. All the documents are numbered one by one. The materials submitted for registration of market entities are divided into six chapters in accordance with the six categories: enterprises (including representative offices and production and business activities in China), self-employed industrial and commercial households, farmers' professional cooperatives, license administration, equity pledge and deregistration. The requirements for materials submission are clarified item by item in accordance with respective business types.

Relevant parties are encouraged to express opinions on or before 10 December 2021 by sending emails to djjgfc@samr.gov.cn.

You can click this link to access the full content of the Discussion Drafts:
http://www.samr.gov.cn/hd/zjdc/202112/t20211201_337654.html

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

- ▶ Notice regarding public opinions consultation on the “Notice Issued by the State Administration of Foreign Exchange (SAFE) Regarding Measures for Supporting the Foreign Exchange Risk Management of Market Entities (Discussion Draft)”

Synopsis

In order to further promote the development of the foreign exchange market and better serve market entities to manage foreign exchange risks, the SAFE prepared the “Measures for Supporting the Foreign Exchange Risk Management of Market Entities (Discussion Draft)” (hereinafter referred to as the “Measures”) and released to the public to seek opinions on 26 November 2021.

Key features of the Measures are as follows:

- Support banks to constantly serve the real economy to strengthen the capacity-building of foreign exchange risk management and support banks to flexibly develop foreign exchange business to customers.
- Diversify banks’ foreign exchange products to customers such as ordinary American options, Asian options and their portfolio products with RMB.
- Support the China Foreign Exchange Trade System to improve foreign exchange services. The China Foreign Exchange Trade System is allowed to expand the currency coverage of inter-bank RMB foreign exchange derivatives to meet market demand. Support the China Foreign Exchange Trade System to improve the bank-enterprise service platform and improve the electronic level of foreign exchange transactions.
- Expand the business scope of RMB foreign exchange derivatives, including cooperative forward settlement and sales of foreign exchange, cooperative foreign exchange swap and cooperative currency swap.
- Support banks’ foreign exchange risk management, simplify administrative approval for local and foreign currency conversion of bank capital, and allow banks to handle their own foreign exchange derivatives business according to actual needs.

In addition, the “Rules for Banks’ Cooperation in Handling RMB Foreign Exchange Derivatives Business” is attached to the Measures. Relevant parties are encouraged to express opinions on or before 26 December 2021 by sending emails to bopgongkai@mail.safe.gov.cn.

You can click this link to access the full content of the Measures:
<http://www.safe.gov.cn/safe/2021/1119/20217.html>

Customs circular

- ▶ PN regarding deepening the reform of customs guarantee (GAC PN [2021] No. 100)

Synopsis

To promote trade facilitation, on 24 November 2021, the General Administration of Customs (GAC) released GAC PN [2021] No. 100 (“PN 100”) to launch a reform of customs guarantee (hereinafter referred to as the “Reform”) from 1 December 2021 on a nationwide basis.

Key features of the Reform are as follows:

Before the Reform	Under the Reform
<p>An enterprise is required to submit different types of guarantee letters to the supervising customs office for the customs guarantee of the following situations:</p> <ul style="list-style-type: none"> • Combined tax declaration • Early discharge of goods where the relevant taxes have not yet been settled within the tax filing deadline • Early discharge of goods before the determination of classification, dutiable price and origin of the import goods • Early discharge of goods where the valid customs declaration forms and other documentations for the customs declaration are not available • Early discharge of goods where other required customs-related procedures are not completed 	<p>Except for enterprises acting in bad faith classified by Customs, all consignors and consignees of import/export goods shall be able to complete the record filing for customs guarantee for the abovementioned situations with one guarantee letter (i.e., the attachment of PN 100) and insurance letter for customs guarantee issued by the commercial bank or finance institution by sharing the total amount of guarantee limit.</p>

With the launching of the reform, the total amount of guarantee limit in one guarantee letter can be used for all the abovementioned matters that shall be a great relief for both the enterprises' cash flow and their administrative burden. Also, according to PN 100, the procedures of record filing and use of guarantee limit shall all be completed online, which is anticipated to further speed up the customs clearance process.

Relevant enterprises are encouraged to read PN 100 in details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN100:

<http://www.customs.gov.cn/customs/302249/2480148/4026830/index.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 commodities for the exploration, development and utilization of energy resources (2021 Version) (Gongxinbulianzhongzhuang [2021] No. 157)
http://czt.hebei.gov.cn/root17/zfxx/202111/t20211129_1511662.html
- ▶ Notice regarding the list of 2021 recognized animation and comics enterprises (Wenlvchanyefa [2021] No. 120)
http://zwgk.mct.gov.cn/zfxxgkml/cyfz/202111/t20211129_929410.html
- ▶ Notice regarding public opinions consultation on the "Administrative Regulation on Funds Involved in Foreign Institutions' Issuance of Bonds in China's Domestic Market (Discussion Draft)"
<http://www.safe.gov.cn/safe/2021/1202/20286.html>
- ▶ Plan for the revitalization and development of special areas during the 14th Five-year Plan period
https://www.ndrc.gov.cn/xgk/zcfb/ghwb/202111/t20211126_1305254.html?code=&state=123

- ▶ Notice regarding the “Opinions of the Supreme People’s Procuratorate on Fully Performing Procuratorial Functions to Serve and Guarantee the Construction of Hainan Free Trade Port”
https://www.spp.gov.cn/spp/xwfbh/wsfbt/202111/t20211126_536406.shtml#2
- ▶ Outline for the Reform and Development of Accounting During the 14th Five-year Plan Period (Caikuai [2021] No. 27)
http://kjs.mof.gov.cn/gongzuodongtai/202111/t20211126_3769461.htm
- ▶ Implementation measures for the commitment mechanism for parties in the administrative enforcement of securities and futures laws (State Council Order [2021] No. 749)
http://www.gov.cn/zhengce/content/2021-11/29/content_5654087.htm
- ▶ Development Plan for the Big Data Industry during the 14th Five-year Plan Period (Gongxinbugui [2021] No. 179)
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2021/art_c4a16fae377f47519036b26b474123cb.html
- ▶ Development Plan for the Software and Information Technology Services Industry during the 14th Five-year Plan Period (Gongxinbugui [2021] No. 180)
https://www.miit.gov.cn/jgsj/xxjsfzs/xxfwy/art/2021/art_996ce15c5d0b4a2fbe16090d1257382a.html
- ▶ Development Plan on the Deep Integration of Informatization and Industrialization during the 14th Five-year Plan Period (Gongxinbugui [2021] No. 182)
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2021/art_117ccbb3dd4f4a27b21d988fbaa8b625.html
- ▶ Measures for Supervision and Administration of Insurance Group Companies (CBIRC Order [2021] No. 13)
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1021134>
- ▶ Guiding opinions on promoting the “dual random inspection and public release” supervision model for elderly care institutions
http://www.gov.cn/zhengce/zhengceku/2021-12/01/content_5655187.htm
- ▶ Notice regarding the “Implementation Plan on Supporting Zhejiang Province to Explore and Innovate to Build a Provincial Sample of Fiscal Promotion of Common Prosperity” (Caiyu [2021] No. 168)
http://yss.mof.gov.cn/zhengceguizhang/202111/t20211130_3770527.htm
- ▶ Notice regarding the “System for Trade Credit Statistical Investigations” (Huifa [2021] No. 33)
<http://www.safe.gov.cn/safe/2021/1130/20271.html>



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