

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.

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Tax circulars

- **Notice regarding the catalog of encouraged industries subject to preferential Corporate Income Tax (CIT) policies for impoverished areas of Xinjiang (Caishui [2021] No. 42)**

Synopsis

Further to the issuance of Caishui [2021] No. 27 ("Circular 27", i.e., Notice regarding the preferential CIT policies for newly established enterprises in impoverished areas of Xinjiang and the two special economic development zones in Kashgar and Khorgos) which is valid from 1 January 2021 to 31 December 2030, the Ministry of Finance (MOF), State Taxation Administration (STA), Ministry of Industry and Information Technology (MIIT), and National Development and Reform Commission (NDRC) jointly released Caishui [2021] No. 42 ("Circular 42") on 26 October 2021 to announce the updated catalog of encouraged industries subject to preferential CIT policies for impoverished areas of Xinjiang.

As elaborated in both Circulars 27 and 42, to be eligible for the following tax holidays, the newly established Xinjiang enterprises should satisfy all the following criteria:

Eligible enterprises	Tax holidays	Criteria
Newly established enterprises registered in impoverished areas of Xinjiang	A two-year CIT exemption followed by a three-year 50% rate reduction of CIT (based on the statutory CIT rate of 25%)” starting from the first income-generating year	<ul style="list-style-type: none"> ▶ Exercise substantial and overall management and control on business, personnel, accounting and properties, etc. of the enterprises in the registered areas ▶ Derive over 60% of their income from the key encouraged industries listed in the updated catalog announced in Circular 42
Newly established enterprises registered in the two special economic development zones in Kashgar and Khorgos	A five-year CIT exemption starting from the first income-generating year	

The updated catalog contains 36 industries, such as agriculture, new energy, oil and gas, as well as human resources services and artificial intelligence that are newly added to the updated catalog.

Foreign invested enterprises applying to the prescribed tax holidays in Xinjiang should comply with the prevailing industrial policies for foreign investments.

Circular 42 became effective from 1 January 2021, the transitional arrangements between the updated catalog and the previous 2016 version of “Trial Catalog of key encouraged industries in financially strained regions of Xinjiang” (hereinafter referred to as the “2016 Catalog”) should be referenced to details of Circular 27.

You can click this link to access the full content of Circular 42:

https://xinjiang.chinatax.gov.cn/zwgk/tzgg/202112/t20211221_93745.htm

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 the 2016 Catalog:

http://szs.mof.gov.cn/zhengcefabu/201910/t20191031_3413822.htm

▶ **Deliberation report of the “Decision on Authorizing the State Council to Pilot Real Estate Tax (RET) Reform in Certain Regions (Draft)”**

Synopsis

On 23 October 2021, the National People’s Congress (NPC) Standing Committee adopted a decision to authorize the State Council to pilot RET reform in certain regions, aiming to guide rational housing consumption and the economical and intensive use of land resources.

According to the prevailing RET rules and regulations, currently, only real properties owned for operating purposes are in general subject to RET. In particular, the prevailing Provisional Rules on RET provide an RET exemption on non-operating real properties owned by individuals (i.e., real properties owned by individuals are subject to RET if they are used for rental purposes). However, under the pilot, RET shall be levied on all types of residential and non-residential properties in pilot areas, except for any legally owned rural homesteads and residences built on these rural homesteads. Since 2011, similar RET reforms in Shanghai and Chongqing have been carried out and it is understood that this pilot shall finally be expanded to include more pilot areas (details to be further stipulated and finalized).

On 13 December 2021, the Constitution and Law Committee of the NPC announced a Deliberation Report of the Decision on Authorizing the State Council to Pilot RET Reforms in Certain Regions (Draft) (hereinafter referred to as the "Report").

According to the Report, the Constitution and Law Committee reviewed the Decision on Authorizing the State Council to Pilot RET Reforms in Certain Regions (Draft) (hereinafter referred to as the "Decision") and states that it is feasible in general while the following proposed amendments are addressed:

- ▶ The detailed tax basis, applicable tax rates and deductions shall be further explored and adjusted during the pilot and therefore shall not be stipulated in the Decision.
- ▶ The pilot shall be implemented for five years starting from the date when the Decision is promulgated by the State Council.

During the deliberation, the members of the Constitution and Law Committee discussed the timing for the launch of the RET pilot and the proposed treatments for existing and new real properties and suggests for the detailed arrangements in this regard. The Constitution and Law Committee suggests the State Council and the relevant departments to summarize the experiences of the pilot reform and improve the pilot measures before promoting the legislation of RET Law.

However, the revised Decision is not yet announced to the public. 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 Report:

<http://www.npc.gov.cn/englishnpc/c2849/column.shtml>

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

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

You can click this link to access the full content of the Provisional Rules on RET:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c28479821/content.html>

- ▶ **Public notice (PN) regarding the "Catalog of Environmental Protection, Energy and Water Saving Projects Subject to Preferential CIT Policies (2021 Version)" and "Catalog of Comprehensive Utilization of Resources Subject to Preferential CIT Policies (2021 Version)" (MOF/STA/NDRC/MEE PN [2021] No. 36)**

Synopsis

To further promote the development of energy conservation and environmental protection industries, and efficient use of resources, on 16 December 2021, the MOF, STA, NDRC and Ministry of Ecology and Environment (MEE) jointly announced the "Catalog of Environmental Protection, Energy and Water Saving Projects Subject to Preferential CIT Policies (2021 Version)" and "Catalog of Comprehensive Utilization of Resources Subject to Preferential CIT Policies (2021 Version)" via MOF/STA/NDRC/MEE PN [2021] No. 36 ("PN 36"). PN 36 took retroactive effect from 1 January 2021.

According to PN 36, the detailed arrangements are as follows:

CIT exemption

According to the prevailing CIT Law, from 1 January 2021, income derived by enterprises from the "Catalog of Environmental Protection, Energy and Water Saving Projects Subject to Preferential CIT Policies (2021 Version)" (hereinafter referred to as the "2021 Catalog") shall be eligible for a three-year CIT exemption followed by another three-year 50% CIT rate reduction, commencing from the first income-generating year.

However, in case an enterprise that engages in items of "Catalog of Environmental Protection and Energy and Water Conservation Projects Qualifying for CIT Preferential Treatments (Trial)" (hereinafter referred to the "Trial Catalogue") released via Caishui [2009] No. 166 and landfill gas utilization projects as prescribed in Caishui [2016] No. 131 ("Circular 131") and started to receive the abovementioned CIT exemption before 31 December 2021 can continue to enjoy the CIT exemption policy until it is fully utilized. On the other hand, in case an enterprise engages in items of the 2021 Catalog (which is valid from 1 January 2021) but has derived its first income before 31 December 2020, the enterprise may also enjoy the abovementioned CIT exemption for the remaining years.

CIT reduction

According to the prevailing CIT Law, from 1 January 2021, income derived by enterprises from the use of designated resources listed in the Catalog of Comprehensive Utilization of Resources Subject to Preferential CIT Policies (2021 Version) (hereinafter referred to as the “2021 Recycling Business Catalog”) is eligible for a 10% reduction when calculating its taxable income.

However, if an enterprise engaged in recycling business with the use of designated resources listed in the Catalog of Comprehensive Utilization of Resources Subject to Preferential CIT Policies (2008 Version) (hereinafter referred to as the “2008 Recycling Business Catalog”), the enterprise may still enjoy the 10% CIT reduction policy up to the end of 2021.

The previous versions of catalogs mentioned above shall become invalid from 1 January 2022. Relevant taxpayers are encouraged to read the details of PN 36. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 36:

http://szs.mof.gov.cn/zhengcefabu/202112/t20211222_3777189.htm

You can click this link to access the full content of Circular 131:

https://guangdong.chinatax.gov.cn/gdsw/zjfg/2017-01/05/content_407e7c2b363a4012b731d2359bf5d0e4.shtml

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

<http://www.chinatax.gov.cn/chinatax/n362/c76248/content.html>

You can click this link to access the full content of the 2008 Recycling Business Catalog:

<http://www.chinatax.gov.cn/n810341/n810765/n812171/n812695/c1191422/content.html>

Business circulars

- ▶ **Notice regarding measures for the opening-up of the insurance intermediary market (Yinbaojianban [2021] No. 128)**
- ▶ **Notice regarding revising the regulatory documents related to the utilization of insurance funds (Yinbaojianfa [2021] No. 47)**

Synopsis

On 3 December 2021, the China Banking and Insurance Regulatory Commission (CBIRC) issued Yinbaojianban [2021] No. 128 (“Circular 128”) to clarify relevant measures for the opening-up of the insurance intermediary market, which include:

- ▶ Entities established in China by foreign insurance broker companies that have practical business experience and comply with the relevant provisions stipulated by the CBIRC are allowed to operate insurance brokerage business. The access restrictions (e.g., operating years and total assets) on foreign insurance broker companies imposed by relevant regulations are cancelled.
- ▶ Insurance intermediaries established in China by foreign insurance group companies and domestic foreign-invested insurance group companies are allowed to operate relevant insurance intermediary business. Insurance intermediaries include insurance agencies, insurance brokers and insurance assessment firms.
- ▶ Foreign-funded insurance agencies should conduct record filing or obtain business license in accordance with laws and regulations before engaging in relevant insurance intermediary business. Relevant provisions of the CBIRC on insurance intermediaries shall apply to the business scope and market access requirements.

In addition, in order to comply with the development and changes of the financial market, on 8 December 2021, the CBIRC issued Yinbaojianfa [2021] No. 47 ("Circular 47") to revise 14 regulatory documents related to the utilization of insurance funds, aiming to enhance the investment autonomy of market entities and prevent investment risks. Some of the key measures include:

- ▶ Relax the restrictions on the number of security brokers and custodians for insurance institutions to participate in securities trading.
- ▶ Allow insurance funds to invest in equity investment funds actually controlled by non-insurance financial institutions.
- ▶ Simplify the decision-making process of insurance companies investing in insurance private equity funds and promote the market-oriented operation of products.
- ▶ Cancel external credit rating requirements and enhance the autonomy of market entities in using external ratings.
- ▶ Cancel the pre-assessment requirements for insurance funds to carry out the business of "domestic guarantee for foreign loan" to prevent overseas financing risks.
- ▶ Increase the restriction ratio of investment in non-standardized financial products and real estate assets to prevent investment risks.

Insurance institutions are advised to read Circular 128 and Circular 47 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 Circular 128:

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1024422>

You can click this link to access the full content of Circular 47:

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1024411>

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

- ▶ **Commodity list of imported seeds and species exempt from Value-add Tax (first batch) (MOA/MOF/GAC/STA/NFGA PN [2021] No. 505)**
http://www.moa.gov.cn/govpublic/GJHZS/202112/t20211220_6385089.htm
- ▶ **Administrative Measures for the Liquidity Risk of Wealth Management Products of Wealth Management Companies (CBIRC Order [2021] No. 14)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1024321>
- ▶ **Notice regarding the plan on promoting the development of small and medium-sized enterprises during the 14th Five-year Plan period (Gongxinbuliangui [2021] No. 200)**
http://www.caam.org.cn/chn/1/cate_2/con_5235217.html
- ▶ **PN regarding implementing online application for the approval of the permission for the exploration and development of deep seabed resources**
http://gi.mnr.gov.cn/202112/t20211217_2714604.html
- ▶ **Provisions on the Enforcement of Equity-related Issues by People's Courts (Fashi [2021] No. 20)**
<http://www.court.gov.cn/fabu-xiangqing-337921.html#:~:text=%E3%80%8A%E6%9C%80%E9%AB%98%E4%BA%BA%E6%B0%91%E6%B3%95%E9%99%A2%E5%85%B3,1%E6%9C%881%E6%97%A5%E8%B5%B7%E6%96%BD%E8%A1%8C%E3%80%82>
- ▶ **Notice regarding the "Work Plan on the Construction of Zero-waste Cities During the 14th Five-year Plan Period" (Huanguti [2021] No. 114)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5171543/content.html>

- ▶ **Opinions on further promoting the reform of approval system for investment projects (Fagaitouzi [2021] No. 1813)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz//202112/t20211222_1308882.html
- ▶ **Administrative Measures for the Disclosure of Enterprise Environmental Information in Accordance with the Law (MEE Order [2021] No. 24)**
http://www.mee.gov.cn/xxgk2018/xxgk/xxgk02/202112/t20211221_964837.html
- ▶ **Notice regarding optimizing bank account opening services and streamlining procedures for individual and small and micro-sized business clients (Yinbaojianbanfa [2021] No. 132)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1024970>
- ▶ **Notice regarding public opinions consultation on the list of pilot entities and areas of national blockchain innovation and application**
https://mp.weixin.qq.com/s/c17UwJa_JFCqGK2LPfBOrQ
- ▶ **PN regarding the “Administrative Measures of the Customs of the People’s Republic of China on the Origin of Imported and Exported Goods Under the ‘Free Trade Agreement Between the People’s Republic of China and the Royal Government of Cambodia’” (GAC PN [2021] No. 107)**
<http://www.customs.gov.cn/customs/302249/2480148/4066286/index.html>
- ▶ **PN regarding canceling the requirement of record-filings for domestic consignee of imported meat and cosmetics (GAC PN [2021] No. 108)**
<http://www.customs.gov.cn/customs/302249/2480148/4070116/index.html>
- ▶ **Notice regarding matters related to implementing preferential import-level tax policies for imported seeds and species during the 14th Five-year Plan period (Shuiguanhan [2021] No. 148)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4081766/index.html>
- ▶ **PN regarding abolishing GAC PN [2006] No. 64 (GAC PN [2021] No. 112)**
<http://www.customs.gov.cn/customs/302249/2480148/4081493/index.html>



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