

Issue No. 2022007

25 Feb 2022

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

- **State Council executive meeting regarding specified measures to encourage China's industrial economy and services sectors**

Synopsis

During the State Council executive meeting (hereinafter referred to as "the meeting") on 14 February 2022, Premier Li was briefed on the handling of suggestions from deputies to the National People's Congress and proposals from members of the National Committee of the People's Political Consultative Conference in 2021. On the other hand, the meeting has confirmed some specific measures to bolster China's industrial economy and services sectors.



Among these, the following tax preferential treatments announced in the meeting are worth-noting:

- ▶ Accelerated depreciation policy for equipment newly purchased by small, medium and micro-sized enterprises with a unit value exceeding RMB5 million or above:

Types of assets	Years of depreciation as prescribed in the prevailing Corporate Income Tax (CIT) rules	Accelerated depreciation policy as announced in the meeting
Electronic equipment	3 years	One-time CIT deduction of the whole amount is allowed
Means of transport other than aircraft, trains, and vessels	4 years	
Appliances, tools, and furniture, etc. related to production and business operation	5 years	
Aircraft, trains, vessels, machinery, mechanical and other production equipment	10 years	A 50% CIT deduction may be applied (i.e., 可减半扣除, the wording in the current document is not very clear, it may either be an upfront CIT deduction of 50% is allowed or the depreciation period can be shortened by half, the wording has to be further elaborated under upcoming detailed rule.)

- ▶ Extend the deferrals of certain tax and fee payments for medium, small and micro-sized manufacturing enterprises.
- ▶ All qualifying small-scale enterprises and self-employed industrial and commercial households shall be granted with tax reduction and exemption policies of Resource Tax, City Construction Tax, Real Estate Tax, Urban Land Use Tax, Stamp Duty (excluding Stamp Duty for security trading), Farmland Occupation Tax, Education Surcharge and Local Education Surcharge.
- ▶ Taxpayers engaging in catering, retail, travel agency and transportation services shall be provided with tax exemption/reduction policies on a periodical basis and deferral of certain social security payments.
- ▶ Taxpayers engaging in public transportation services such as buses, long-distance passenger transportation, ferries and taxis shall be exempt from Value-added Tax in 2022.
- ▶ Real Estate Tax and Urban Land Use Tax exemption and reduction shall be granted to real estate owners who reduce or waive rent for small and micro-sized enterprises or self-employed industrial and commercial household tenants during 2022.

It is anticipated that the Ministry of Finance (MOF) and State Taxation Administration (STA) shall further stipulate and announce the detailed tax policies. We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the official news of the meeting:

http://www.gov.cn/premier/2022-02/15/content_5673780.htm



► **Public notice (PN) regarding the "Second Batch of Illegal Acts Exempt from Tax Administrative Punishment in Case of First-time Violation" (STA PN [2021] No. 33)**

Synopsis

To continuously develop the reform of "Delegate Power, Streamline Administration and Optimize Government Services", on 30 December 2021, the STA released STA PN [2021] No. 33 ("PN 33") to announce the "Second Batch of Illegal Acts Exempt from Tax Administrative Punishment in Case of First-time Violation".

Same as that as prescribed in STA PN [2021] No. 6 ("PN 6", i.e., the List of Illegal Acts Exempt from Tax Administrative Punishment in Case of First-time Violation), parties may be exempt from tax administrative punishment for committing a violation for the items of the list announced in PN 33 (hereinafter referred to as "the List") if all the following criteria are met:

- The parties commit the violation for the items in the List for the first time;
- The harmful consequence of the violation is minor; and
- The parties make rectifications before the tax authorities find out about the violations or make rectifications within the timeline as prescribed by the tax authorities.

The List covers four items in total with certain types of minor tax illegal acts, e.g., failure to renew the tax registration certificates as required; failure to affix the tax invoice stamp on the tax invoices issued, but no illegal income was gained; etc.

According to PN 33, the supervising tax authorities should accurately apply the above three criteria to determine whether the violation of a party should be exempt from tax administrative punishment.

PN 33 became effective from 1 January 2022. Through the issuance of PN 33, the scope of minor violation items that could be exempt from tax administrative punishment has been extended to 14 items. Taxpayers should read PNs 33 and 6 together with local guidance to be issued by the supervising tax authorities for details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 33:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5171844/content.html>

You can click this link to access the full content of PN 6:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5162954/content.html>

► **Notice regarding adjusting the zero-tariff policy for self-use manufacturing equipment in Hainan Free Trade Port (FTP) (Caiguanshui [2022] No. 4)**

Synopsis

To further support the construction of Hainan FTP, on 14 February 2022, the MOF, STA and General Administration of Customs (GAC) jointly released Caiguanshui [2022] No. 4 ("Circular 4"), setting out the adjustments to the zero-tariff policy for self-use manufacturing equipment in Hainan FTP.

Key features of Circular 4 are as follows:

- 8 types of production equipment required for the cultural, sports and tourism industry are added to the "production equipment" referred to in Caiguanshui [2021] No. 7 ("Circular 7", i.e., Notice regarding the zero-tariff policy for self-use manufacturing equipment in Hainan FTP) (See Annex of Circular 4 for details).
- Before the launch of independent customs operations throughout Hainan Island, public institutions that are registered in Hainan FTP as independent legal entity shall be exempted from customs duties, import-level Value-added Tax and Consumption Tax on the imported production equipment within the scope specified in Circular 7 and Article 1 as above for their own use in accordance with the provisions of Circular 7.

Circular 4 became effective on its promulgation date. Relevant taxpayers are advised to read Circular 4 and Circular 7 for details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 4:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202202/t20220214_3787450.htm

You can click this link to access the full content of Circular 7:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202103/t20210304_3665364.htm

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

- ▶ **Regulations on the supervision of the interconnection of depositary receipt business between domestic and overseas stock exchanges (CSRC PN [2022] No. 28)**
http://www.gov.cn/zhengce/zhengceku/2022-02/12/content_5673232.htm
- ▶ **Notice regarding the "Implementation Guidelines for Energy Conservation and Carbon Reduction Upgrading in the Key Sectors of Energy-intensive Industries (2022 Version)" (Fagaichanye [2022] No. 200)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220211_1315446.html
- ▶ **Notice regarding matters related to enhancing the joint supervision of the entire chain of the online taxi industry (Jiaobanyun [2022] No. 6)**
https://xxgk.mot.gov.cn/2020/jigou/ysfws/202202/t20220215_3641452.html
- ▶ **Notice regarding procedural rules for the off-site supervision of financial leasing companies (Yinbaojiangui [2022] No. 3)**
<http://www.cbirc.gov.cn/cn/view/pages/itemDetail.html?docId=1038149&itemId=928>
- ▶ **Urban Master Plan for Macao Special Administrative Region (2020-2040)**
http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_696729.html
- ▶ **Protocol to upgrade the "Free Trade Agreement Between the Government of the People's Republic of China and the Government of New Zealand"**
http://fta.mofcom.gov.cn/newzealand/doc/shengji/sjyds_cn.pdf
- ▶ **Special Development Plan of Air Logistics During the 14th Five-year Plan Period (Minhangfa [2022] No. 7)**
http://www.gov.cn/zhengce/zhengceku/2022-02/16/content_5673982.htm
- ▶ **PN regarding implementing the mutual recognition of "Authorized Economic Operator" (AEO) between the Customs of China and United Arab Emirates (GAC PN [2022] No. 16)**
<http://www.customs.gov.cn/customs/302249/2480148/4168311/index.html>
- ▶ **Catalog of Administrative Approval Items of the Customs System (January 2022)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4175133/index.html>



Contact us

For more information, please contact your usual EY contact or one of the following EY's China tax leaders.

Author - China Tax Center

Jane Hui
+852 2629 3836
jane.hui@hk.ey.com

Greater China Tax Leader

Henry Chan
+86 10 5815 3397
henry.chan@cn.ey.com

Our tax leaders by market segment and service areas

Martin Ngai (China North)
+86 10 5815 3231
martin.ngai@cn.ey.com

Patricia Xia (China Central)
+86 21 2228 2878
patricia.xia@cn.ey.com

Ho Sing Mak (China South)
+86 755 25028289
Ho-Sing.Mak@cn.ey.com

David Chan (Hong Kong SAR/Macau SAR)
+852 2629 3228
david.chan@hk.ey.com

Heidi Liu (Taiwan)
+886 2 2757 8888
heidi.liu@tw.ey.com

Carrie Tang
Business Tax Services
+86 21 2228 2116
carrie.tang@cn.ey.com

Vickie Tan
Global Compliance and Reporting
+86 21 2228 2648
vickie.tan@cn.ey.com

Becky Lai
Tax Policy
+852 2629 3188
becky.lai@hk.ey.com

Andrew Choy
International Tax and Transaction Services
+86 10 5815 3230
andrew.choy@cn.ey.com

Travis Qiu
ITTS - Transfer Pricing
+86 21 2228 2941
travis.qiu@cn.ey.com

Jesse Lv
ITTS - Transaction Tax
+86 21 2228 2798
jesse.lv@cn.ey.com

Kevin Zhou
Indirect Tax - VAT
+86 21 2228 2178
kevin.zhou@cn.ey.com

Bryan Tang
Indirect Tax - Global Trade
+86 21 2228 2294
bryan.tang@cn.ey.com

Patricia Xia
Tax Technology
and Transformation
+86 21 2228 2878
patricia.xia@cn.ey.com

Paul Wen
People Advisory Services
+852 2629 3876
paul.wen@hk.ey.com

Catherine Li
Financial Services
+86 10 5815 3890
catherine.li@cn.ey.com

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2022 Ernst & Young, China.
All Rights Reserved.

APAC no. 03014083
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

Follow us on WeChat

Scan the QR code and stay up-to-date with the latest EY news.

