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*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 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	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.)
Appliances, tools, and furniture, etc. related to production and business operation	5 years	
Aircraft, trains, vessels, machinery, mechanical and other production equipment	10 years	

- ▶ 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>



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