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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.

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

- ▶ **Public notice (PN) regarding matters related to continuously implementing the deferred payment of certain taxes and fees for medium, small and micro-sized enterprises in the manufacturing industry (STA/MOF PN [2022] No. 2)**
- ▶ **PN regarding further implementing tax reduction and exemption policies of “six taxes and two fees” for small-sized enterprises with meager profit (MOF/STA PN [2022] No. 10)**

Synopsis

To respond to measures announced in the State Council executive meeting (hereinafter referred to as “the meeting”) on 14 February 2022 which aims to bolster China’s industrial economy and services sectors, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released STA/MOF PN [2022] No. 2 (“PN 2”) and MOF/STA PN [2022] No. 10 (“PN 10”) on 28 February 2022 and 1 March 2022 respectively.

Key features are as follows:

- ▶ Extend the deferrals of certain tax and fee payments for medium, small and micro-sized manufacturing enterprises as follows:

Qualifying enterprises ¹		Small and micro-sized enterprises (i.e., with annual revenue ² less than RMB20 million)	Medium enterprises (i.e., with annual revenue ² less than RMB400 million but not less than RMB20 million)
Scope of tax and fee payments qualifying for the deferral policy		Payments for Corporate Income Tax (CIT), Individual Income Tax (IIT, except for those withheld according to the prevailing rules), domestic Value-added Tax (VAT), domestic Consumption Tax (excluding those to be collected by Customs offices under the import/export level) and the corresponding City Construction Tax (CCT), Education Surcharge (ES) and Local Education Surcharge (LES) ³	
Percentage for the tax and fee payments qualifying for the deferral policy		100%	50%
Timing for the deferral	For the fourth quarter of 2021	<ul style="list-style-type: none"> ▶ The tax and fee payment deferral policy as prescribed in the previous STA PN [2021] No. 30 ("PN 30", i.e., PN regarding certain matters related to the deferral of certain tax and fee payments for the fourth quarter of 2021 for small, medium and micro-sized enterprises in the manufacturing industry) shall be extended for six months. <p>For instance, qualifying taxpayers who deferred their relevant tax and fee payments for November 2021 can now defer the payments until the filing of August 2022 (i.e., to be filed and paid in September 2022).</p> <ul style="list-style-type: none"> ▶ Those who applied for the tax and fee payment deferral for the fourth quarter of 2021 and paid the relevant taxes and fees on or after 1 January 2022 before the promulgation of PN 2 may choose to apply for tax refunds and continue to enjoy the deferral policy for six months. 	
	For the first and second quarters of 2022	<ul style="list-style-type: none"> ▶ The abovementioned tax and fee payments can be deferred for six months. ▶ For the abovementioned taxes and fees for January 2022 which had been paid before the promulgation of PN 2, taxpayers may choose to apply for tax refunds and continue to enjoy the deferral policy for six months. 	

- ▶ The scope of provincial (autonomous regions and municipalities) governments' reduction (up to 50%) on the "six taxes and two fees" (i.e., Resource Tax, CCT, Real Estate Tax, Urban Land Use Tax, Stamp Duty (excluding those for security trading), Farmland Occupation Tax, ES and LES) for small-scale VAT taxpayers shall also be available for qualified small-sized enterprises with meager profit and self-employed industrial and commercial households from 1 January 2022 to 31 December 2024. This reduction shall also be available to those enjoying other preferential tax treatments of the abovementioned taxes/fees.

It is understood that other tax preferential policies announced in the meeting, such as the accelerated depreciation policy, etc., shall be announced separately by the MOF and STA. We will keep an eye on any further developments and advise you accordingly, please stay tuned.

¹ Qualifying enterprises also include self-employed industrial and commercial households, sole proprietorship enterprises, and partnership enterprises.

² Annual revenue of applicable taxpayers should be determined according to rules as prescribed in PN 2.

³ Taxes paid by taxpayers for tax invoices issued by tax authorities on behalf of taxpayers are not included.

You can click this link to access the full content of PN 2:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5173058/content.html>

You can click this link to access the full content of STA's official interpretation on PN 2:

<http://www.chinatax.gov.cn/chinatax/n810341/n810760/c5173059/content.html>

You can click this link to access the full content of PN 10:

http://szs.mof.gov.cn/zhengcefabu/202203/t20220303_3792359.htm

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

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

You can click this link to access the full content of PN 30:

<http://www.chinatax.gov.cn/chinatax/n362/c5170139/content.html>

Business circulars

► Report on the Work of the Government (2022)

Synopsis

At the beginning of the fifth session of the 13th National People's Congress, Premier Li of the State Council of the People's Republic of China (PRC) delivered a Report on the Work of the Government (2022) (hereinafter referred to as the "2022 Report") on 5 March 2022, in which he revealed the achievements of government authorities in 2021 and set out the gross domestic product (GDP) growth target for 2022 at around 5.5%.

Key tax related preferences mentioned in the 2022 Report include:

Types of taxes	Applicable taxpayers	Key features of the preferential treatments
CIT	Small and micro-sized enterprises (hereinafter referred to as "SMEs")	► Their annual taxable income between RMB1 million and RMB3 million is eligible for an extra 50% reduction ⁴
	Technology-based small and medium-sized enterprises	► Shall be allowed to claim a 200% super deduction ⁵ instead of 175% on eligible research and development (R&D) expenses actually incurred
	High-and-new technology enterprises	► Relevant CIT preferential policies shall be further improved
	Other enterprises	► Explore on the implementation of tax preferential treatments on expenses incurred in fundamental research ► Improve the prevailing accelerated depreciation policies

Types of taxes (Cont'd)	Applicable taxpayers (Cont'd)	Key features of the preferential treatments (Cont'd)
VAT	Manufacturing enterprises, SMEs and self-employed industrial and commercial households	<ul style="list-style-type: none"> ▶ Continue the prevailing preferential policies on tax and fee, with extended applicable scope and enhanced reductions
	Small scale VAT taxpayers	<ul style="list-style-type: none"> ▶ VAT exemption policy for a certain period
	SMEs	<ul style="list-style-type: none"> ▶ Remaining Input VAT credits brought forward from the previous periods can be refunded on a lump-sum basis by the end of June 2022 ▶ Incremental input VAT credits brought forward from previous periods shall be refunded in full
	Taxpayers engaging in manufacturing, scientific research, technical services, ecology protection, utility and gas, and transportation, etc.	<ul style="list-style-type: none"> ▶ Issues for input VAT credit refunds for these industries shall be fully addressed
IIT	Individuals	<ul style="list-style-type: none"> ▶ Individuals shall be able to claim a specific additional deduction for their children below the age of three (currently the deduction for children at the age of three or above is RMB1,000 per month per child)

We have issued a WeChat news article on 7 March 2022 (in Chinese only) to discuss the 2022 Report in detail, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the full contents of the WeChat news article.

As a common practice, the MOF, STA and other related government authorities shall stipulate and announce tax and business circulars to further address the measures mentioned in the 2022 Report from implementation perspective. We will keep an eye on any further developments in this regard, please stay tuned.

⁴ According to the prevailing tax policy, from 1 January 2021 to 31 December 2022, for qualified SMEs, any part of their annual taxable income below RMB1 million is eligible for 87.5% reduction when calculating CIT and the annual taxable income between RMB1 million and RMB3 million is eligible for 50% reduction. The applicable CIT rate is 20%. According to the 2022 Report, the annual taxable income of qualified SMEs between RMB1 million and RMB3 million is eligible for an extra 50% reduction, which means the effective CIT rate for this range shall be reduced to 5% (i.e., 50%x50%x20%).

⁵ According to the prevailing tax policy, currently only manufacturing enterprises are allowed to claim a 200% super deduction on eligible R&D expenses actually incurred in the course of R&D activities.

You can click this link to access the content of the 2022 Report:
http://www.gov.cn/premier/2022-03/05/content_5677248.htm



- ▶ **Implementation Rules for the Administrative Regulations of the PRC on the Registration Market Entities (SAMR Order [2022] No. 52)**
- ▶ **Notice regarding the “Specifications for Application Documents for Market Entity Registration” and “Specifications for Materials to be Submitted for Market Entity Registration” (Guoshijianzhufa [2022] No. 24)**

Synopsis

To implement the Administrative Regulations of the PRC on the Registration of Market Entities (hereinafter referred to as the “Regulations”), the State Administration for Market Regulation (SAMR) formulated the Implementation Rules for the Regulations (hereinafter referred to as the “Implementation Rules”) and released via SAMR Order [2022] No. 52 on 1 March 2022. Both the Implementation Rules and the Regulations became effective on 1 March 2022.

The Implementation Rules consist of 82 articles in 12 sections, including general provisions, registration matters, registration standards, registration of establishment, change registration, business closure, deregistration, revocation of registration, documentation management, supervision management, legal responsibilities, and supplementary provisions. Among them, some key features listed below are worth noting:

Responsibilities and registration jurisdiction

The Implementation Rules specify the overall guidance, regulatory responsibilities of the market supervision authorities for registration, including formulating registration administration systems and measures, strengthening the construction of registration systems, and collecting registration information.

Registration matters and requirements

- ▶ The Implementation Rules list the registration matters of different types of entities, and clarify the requirements on major registration matters such as name, domicile, legal representative, etc.
- ▶ The Implementation Rules optimize the registration procedure, remove the acceptance procedure, and supplement real-name verification and electronic signatures.
- ▶ The Implementation Rules require notarization and authentication for the identity certificate and entity qualification certificate submitted by foreign investment enterprises.

Registration procedures and materials

The Implementation Rules stipulate the materials and handling requirements for the registration of establishment, changes, business closure and deregistration through the legislative arrangement of common clauses and individual clauses. Among them, the relevant provisions of the new business closure system, which is newly added in the Regulations, are specifically clarified.

Revocation of registration and documentation management

According to the Implementation Rules, where a market entity is registered by submitting false materials, the registration authority can conduct investigation. The Implementation Rules also stipulate the procedures of acceptance, publicity and suspension, which will increase the ability to revoke a registration.

In regard to the registration documentation, it is clarified in the Implementation Rules that documentation includes electronic documentation and traditional documentation, both of which have the same effect. In addition, documentation migration procedures are also stipulated.

Regulatory and legal responsibilities

The Implementation Rules stipulate registration authorities’ regulatory responsibilities, duties and methods of, including credit risk classified management, supervision of “Dual Random Inspections and Public Release”, business license supervision, as well as the legal obligations of market entities such as publicity and submission of annual reports.

In addition, the SAMR also released the “Specifications for Application Documents for Market Entity Registration” and “Specifications for Materials to be Submitted for Market Entity Registration” via Guoshijianzhufa [2022] No. 24 (“Circular 24”) on 28 February 2022. The specifications for application documents and materials of various market entities are combined, deleted or adjusted, and certain application document specifications for some new items such as record filing for business closure are supplemented.

Relevant parties are advised to read the Implementation Rules and Circular 24 for 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 the Implementation Rules:

http://www.gov.cn/zhengce/zhengceku/2022-03/02/content_5676403.htm

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

http://www.gov.cn/zhengce/content/2021-08/24/content_5632964.htm

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

http://gkml.samr.gov.cn/nsjg/djzcj/202203/t20220301_340075.html

Customs circular

- ▶ **Notice regarding the “2022 Legislative Plan of the General Administration of Customs” (Shufafa [2022] No. 21)**

Synopsis

On 28 February 2022, the General Administration of Customs (GAC) released the “2022 Legislative Plan of the GAC” (hereinafter referred to as the “Plan”) via Shufafa [2022] No. 21 (“Circular 21”).

According to the Plan, a number of regulations and measures will be formulated or revised in 2022, including the “Administrative Measures for Quarantine Approval of Inbound Animals and Plants”, “Measures of the PRC for the Implementation of Customs Risk Management”, “Administrative Measures for the Random Inspection of Import and Export Commodities”, “Administrative Measures for the Inspection of Imported Automobiles”, “Measures of the Customs of the PRC for the Supervision and Administration of Inbound and Outbound Passengers’ Luggage”, etc.

Relevant parties are advised to make reference to Circular 21 for details. We will keep an eye on any further developments and update you accordingly, please stay tuned.

You can click this link to access the full content of Circular 21:

<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4212284/index.html>

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

- ▶ **PN regarding the list of the third batch of enterprises eligible for the VAT policies for corporate sponsors of the Beijing 2022 Olympic and Paralympic Winter Games and test events (MOF/STA PN [2022] No. 9)**
http://szs.mof.gov.cn/zhengcefabu/202203/t20220301_3791554.htm
- ▶ **Guiding opinions on encouraging banking and insurance institutions to support the development of affordable rental housing (Yinbaojiangui [2022] No. 5)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1040243>

- ▶ **Notice regarding expanding the pilot scope for pension wealth management products (Yinbaojianbanfa [2022] No. 19)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1040098>
- ▶ **Arrangement on the Mutual Assistance and Preservation of Arbitration Procedures between the Mainland and the Macao Special Administrative Region (Fashi [2022] No. 7)**
<https://www.court.gov.cn/fabu-xiangqing-347101.html>
- ▶ **2021 Statistical Bulletin of the PRC on National Economic and Social Development**
http://www.gov.cn/xinwen/2022-02/28/content_5676015.htm
- ▶ **Guiding opinions on accelerating the standardization and facilitation of government services (Guofa [2022] No. 5)**
http://www.gov.cn/zhengce/content/2022-03/01/content_5676259.htm
- ▶ **Decision on abolishing certain regulations (GAC Order [2022] No. 257)**
<http://www.customs.gov.cn/customs/302249/2480148/4210260/index.html>
- ▶ **PN regarding authorizing the customs directly under the GAC to conduct the examination and approval of food and plant products import quarantine (GAC PN [2022] No. 22)**
<http://www.customs.gov.cn/customs/302249/2480148/4209453/index.html>



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