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# 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

- **Public notice (PN) regarding further implementation of Corporate Income Tax (CIT) preferential policies for qualifying small and micro-sized enterprises (MOF/STA PN [2022] No. 13)**

### Synopsis

Further to the Report on the Work of the Government (2022) (hereinafter referred to as the "2022 Report"), the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2022] No. 13 ("PN 13") on 14 March 2022 regarding further implementation of CIT preferential policies for small and micro-sized enterprises (hereinafter referred to as "SMEs").



According to PN 13 and the prevailing MOF/STA PN [2021] No. 12 (“PN 12”, i.e., PN regarding implementing the preferential income tax policies for SMEs and self-employed industrial and commercial households), CIT preferential treatments for qualifying SMEs<sup>1</sup> are summarized as follows:

Range of taxable income	Applicable CIT preferential treatments	Applicable CIT rate	Applicable period
Annual taxable income below RMB1 million	Eligible for a 87.5% reduction when calculating CIT	20%	1 January 2021 to 31 December 2022
Annual taxable income from RMB1 million to RMB3 million	Eligible for a 50% reduction when calculating CIT		1 January 2019 to 31 December 2021
	Eligible for a 75% reduction when calculating CIT (i.e., an extra 50% reduction upon the previous 50% reduction for year 2021 as prescribed in the 2022 Report)		1 January 2022 to 31 December 2024

The above CIT preferential treatments as prescribed in PN 13 took retroactive effect from 1 January 2022 and shall be implemented until 31 December 2024. Taxpayers should determine whether they are eligible for the abovementioned CIT treatments and start applying for the CIT preference in the first quarter of CIT filing that is to be completed in April 2022.

On the other hand, in case any CIT that should have been exempted were filed on a monthly basis for January and February 2022, CIT overpaid may be offset against CIT payments for the months following or refunded.

Furthermore, qualifying SMEs engaging in manufacturing may also be applicable to a deferral of CIT and other tax payments (e.g., domestic Value-added Tax (VAT) and Consumption Tax) according to STA/MOF PN [2022] No. 2 (“PN 2”, i.e., PN regarding matters related to continuously implementing the deferred payment of certain taxes and fees for SMEs in the manufacturing industry). Concerned taxpayers are encouraged to read PNs 13, 12 and 2 in detail to fully leverage the tax preferences.

<sup>1</sup> Qualified SMEs should not engage in any restricted or prohibited industries in China and should have annual taxable income not exceeding RMB3 million, headcount not exceeding 300 people and total assets not exceeding RMB50 million. Among these, the abovementioned headcount should include all employees that signed employment contracts with the SMEs and personnel assigned to work in the SMEs by labor service companies.

You can click this link to access the full content of PN 13:

<http://www.chinatax.gov.cn/chinatax/n362/c5173677/content.html>

You can click this link to access the full content of PN 12:

[http://szs.mof.gov.cn/zhengcefabu/202104/t20210409\\_3683758.htm](http://szs.mof.gov.cn/zhengcefabu/202104/t20210409_3683758.htm)

You can click this link to access the full content of the 2022 Report:

<http://www.npc.gov.cn/npc/kgfb/202203/8d9a08243ba341e59ae61d600edc70bb.shtml>

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>

► **Notice regarding the pilot tax refund policy for land ports of shipment (Caishui [2022] No. 9)**

**Synopsis**

On 28 February 2022, the MOF, STA and General Administration of Customs (GAC) jointly released Caishui [2022] No. 9 ("Circular 9") to specify the pilot tax refund policy for land ports of shipment.

According to Circular 9, for container cargoes to be shipped abroad from railway station of the Xi'an International Trade and Logistics Park of Shaanxi Province (hereinafter referred to as "port of shipment" (启运港), and passing through the prescribed "ports of departure" (离境港, e.g., Beihai Port of Guangxi Province and Horgos Railway Port of Xinjiang Uygur Autonomous Region) with China State Railway Group Co., Ltd. and its subsidiaries as the carriers by trains or railway wagon vehicles, the pilot tax refund policies of the port of shipment shall be applied.

Circular 9 also specifies the qualification requirements of the eligible export enterprises and the procedures for the export tax refund.

Circular 9 became effective on 1 March 2022. Relevant businesses are encouraged to read Circular 9 for details and leverage the benefits. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 9:

[http://czt.hebei.gov.cn/root17/zfxx/202203/t20220311\\_1560299.html](http://czt.hebei.gov.cn/root17/zfxx/202203/t20220311_1560299.html)

**Business circulars**

► **Notice regarding formulating the list of integrated circuit (IC) enterprises (projects) and software enterprises eligible for preferential tax policies in 2022 (Fagaigaoji [2022] No. 390)**

**Synopsis**

On 14 March 2022, the MOF, Ministry of Industry and Information Technology (MIIT), STA and GAC jointly released Fagaigaoji [2022] No. 390 ("Circular 390") to clarify certain matters related to formulating the list of IC enterprises (projects) and software enterprises that are eligible for preferential tax policies<sup>2</sup> in 2022.

Some key points mentioned in Circular 390 are summarized as follows:

**Application**

Enterprises applying for being included in the 2022 list to enjoy preferential tax policies shall submit the application to the information reporting system (<https://yyglxxbs.ndrc.gov.cn/xxbs-front/>) from 25 March to 16 April 2022. Paper documents affixed with the official seal of the enterprise together with necessary supporting materials (including audited financial statements) shall also be submitted to the relevant competent authorities.

Key IC design enterprises and software enterprises that failed to enjoy the preferential CIT policies in 2021 due to certain practical reasons may submit supplementary applications upon the page of "Supplementary Application" of the information reporting system from 15 March to 21 March 2022.

**Back payment of tax**

Before the release of the list, an enterprise can enjoy the preferential tax policies first. After the release of the list, where the enterprise is not included in the list, it shall pay back tax exempted or reduced in accordance with the regulations.

## Information change

In case of name change, division, merger, reorganization or major changes in the main business of enterprises or projects that enjoy preferential tax policies, they should report to the local development and reform, and industry and information technology authorities in a timely manner. The statement of major changes and relevant materials should also be submitted to the National Development and Reform Commission and MIIT within 60 days from the date of completion of the change registration.

## Policy implementation

Circular 390 became effective on its promulgation date, i.e., 14 March 2022 and shall be applicable to the enterprises enjoying the preferential CIT policies in 2021, enterprises that supplementarily applied for being included in the 2021 list and are eligible for the preferential CIT policies in 2020, and those that enjoy relevant import-level tax policies as prescribed in Caiguanshui [2021] No. 4 ("Circular 4", i.e., Notice regarding the import-level tax policies for supporting the development of the IC industry and software industry).

According to Circular 390, the criteria (e.g., IC line width, employee's qualification, sales revenue, core technology, design and application fields) for qualifying IC enterprises (projects) and software enterprises and relevant application materials are specified. (see the annexes of Circular 390 for details.)

Relevant IC enterprises and software enterprises are advised to read the abovementioned circulars for details, special attention should be paid to the application timeline so as to fully leverage the preferential treatments. If in doubt, consultations with professionals are always recommended.

<sup>2</sup> In recent years, the government has issued a series of preferential tax policies involving CIT, VAT, etc., to support the development of the IC industry and software industry. Some of the key policies are summarized as follows:

	Preferential tax treatments	Criteria	Circulars
CIT	Ten-year CIT exemption	Encouraged IC manufacturing enterprises or projects producing products with IC line width equal to or less than 28nm with an operation period of 15 years or above	See MOF/STA/NDRC/MIIT PN [2020] No. 45 ("PN 45") for details
	Five-year CIT exemption followed by a five-year 50% reduction of the statutory CIT rate (i.e., 25%)	Encouraged IC manufacturing enterprises or projects producing products with IC line width equal to or less than 65nm with an operation period of 15 years or above	
	Two-year CIT exemption followed by a three-year 50% reduction of the statutory CIT rate	Encouraged IC manufacturing enterprises or projects producing products with IC line width equal to or less than 130nm with an operation period of 10 years or above	
	Loss carry-forward period extended to 10 years	Encouraged IC manufacturing enterprises producing products with IC line width equal to or less than 130nm	
	Two-year CIT exemption followed by a three-year 50% reduction of the statutory CIT rate from the first profit-making year	Encouraged IC enterprises engaging in design, encapsulation, materials, testing and software enterprises	
	Five-year CIT exemption plus a reduced CIT rate of 10% for years following	Encouraged key IC design and software enterprises	

	<i>Preferential tax treatments (Cont'd)</i>	<i>Criteria (Cont'd)</i>	<i>Circulars (Cont'd)</i>
VAT	<i>Preferential tax treatment of "same time levy and rebate" for any effective VAT cost of more than 3%</i>	<i>VAT general taxpayers' sales of software products developed and produced by themselves</i>	<i>See Caishui [2011] No. 100 ("Circular 100") for details</i>
	<i>Refund of input VAT credit brought forward from the previous periods</i>	<i>Key IC enterprises' purchases of equipment</i>	<i>See Caishui [2011] No. 107 ("Circular 107") for details</i>
<i>Import duty</i>	<i>Import duty exemption</i>	<i>Qualified IC/software enterprises' importation of qualifying equipment, parts, raw materials, consumables, etc.</i>	<i>See Circular 4 for details</i>

You can click this link to access the full content of Circular 390:

[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220315\\_1319318.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220315_1319318.html?code=&state=123)

You can click this link to access the full content of PN 45:

[http://szs.mof.gov.cn/zhengcefabu/202012/t20201216\\_3635155.htm](http://szs.mof.gov.cn/zhengcefabu/202012/t20201216_3635155.htm)

You can click this link to access the full content of Circular 100:

<http://www.chinatax.gov.cn/chinatax/n359/c157725/content.html>

You can click this link to access the full content of Circular 107:

<http://www.chinatax.gov.cn/chinatax/n359/c157906/content.html>

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

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202103/t20210329\\_3677452.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202103/t20210329_3677452.htm)

► **Notice regarding the pilot innovative administration of the information change of national technology business incubators (NTBIs) and national record-filing makerspaces (NRM) (Guokefahuo [2022] No. 23)**

### Synopsis

On 7 February 2022, the Ministry of Science and Technology (MOST) released Guokefahuo [2022] No. 23 ("Circular 23") to announce certain matters related to the pilot innovative administration of the information change of NTBIs and NRMs.

Key features of Circular 23 are as follows:

### Pilot areas

The pilot areas include Beijing, Shanghai, Chongqing, Shenzhen, Hangzhou and Guangzhou.

### Pilot period

The pilot period is from January 2022 to December 2023.

### Pilot program

During the pilot period, where the information such as the region, site, business place and name of NTBIs and NRMs in the abovementioned six pilot cities is changed, the municipal science and technology authorities shall be in charge of the review and approval (it is no longer required to report to the provincial science and technology department or the MOST as previously stipulated). The MOST shall carry out random inspection and interim and post-event supervision.



Relevant enterprises are advised to read Circular 23 and relevant tax circulars for details so as to fully utilize the benefits<sup>3</sup> offered. If in doubt, consultations with professionals are always recommended.

<sup>3</sup> According to Caishui [2018] No.120 ("Circular 120", i.e., Notice regarding tax policies for technology business incubators, university science parks and makerspaces), it is stipulated that real properties and land used by qualifying technology business incubators, university science parks and national maker spaces or rented, provided for free to their incubated targets (i.e., business start-ups) shall be exempt from Real Estate Tax and Urban Land Usage Tax. Income derived by qualifying technology business incubators, university science parks and national maker spaces from provision of incubation services to their incubated targets shall be exempt from VAT.

You can click this link to access the full content of Circular 23:

<http://kj.hangzhou.gov.cn/module/download/downfile.jsp?classid=0&filename=13e9efd6e9e0493e8099779d3d52160b.pdf>

You can click this link to access the full content of Circular 120:

<http://www.chinatax.gov.cn/chinatax/n366/c19437820/content.html>

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

- ▶ **PN regarding matters related to the application for the first batch of import quotas with preferential tariff rates other than cotton tariff quotas in 2022 (NDRC PN [2022] No. 2)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/gg/202203/t20220311\\_1319151.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/gg/202203/t20220311_1319151.html?code=&state=123)
- ▶ **Notice regarding several catalogs for vehicle-related preferential treatments including the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (36th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (52nd Batch)", etc. (MIIT PN [2022] No. 6)**  
<https://mp.weixin.qq.com/s/YUdMiTElh6jJanMZxd5qqw>
- ▶ **Notice regarding the implementation plan for the development of urban clusters in middle reaches of Yangtze River during the 14th Five-year Plan period (Fagaiguihua [2022] No. 266)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220315\\_1319307.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202203/t20220315_1319307.html?code=&state=123)
- ▶ **Notice regarding public opinions consultation on the "Regulations on Matters Related to the Priority of the Property of Securities Violators for Civil Liability Compensation (Draft)"**  
<http://www.csrc.gov.cn/csrc/c101981/c2053432/content.shtml>
- ▶ **Decision on revising the "Administrative Regulation on the Qualifications of Real Estate Development Enterprises" (MOHURD Order [2022] No. 54)**  
[https://www.mohurd.gov.cn/gongkai/zhengce/zhengceguizhang/202203/20220315\\_765163.html](https://www.mohurd.gov.cn/gongkai/zhengce/zhengceguizhang/202203/20220315_765163.html)
- ▶ **Notice regarding Taiwan residents applying for the establishment of self-employed industrial and commercial households in the pilot areas of innovative development of trade in services**  
[http://www.gov.cn/zhengce/zhengceku/2022-03/16/content\\_5679372.htm](http://www.gov.cn/zhengce/zhengceku/2022-03/16/content_5679372.htm)
- ▶ **Notice regarding ensuring guidance fund for the innovative development of trade in services to support the development of new business models of trade (Shangbancaihan [2022] No. 47)**  
<http://www.mofcom.gov.cn/article/zcfb/zczh/202203/20220303286101.shtml>
- ▶ **Notice regarding the interpretation on several issues concerning the application of the "Law of the People's Republic of China on Anti-unfair Competition" (Fashi [2022] No. 9)**  
<http://www.court.gov.cn/fabu-xiangqing-351291.html>

- ▶ **Approval on temporarily adjusting the implementation of certain administrative regulations in Shenzhen (Guohan [2022] No. 15)**  
[http://www.gov.cn/zhengce/content/2022-03/17/content\\_5676917.htm](http://www.gov.cn/zhengce/content/2022-03/17/content_5676917.htm)
- ▶ **PN regarding the “Corresponding List of the Customs Inspection and Quarantine Name and Commodity Number of Special Goods” (GAC PN [2022] No. 26)**  
<http://www.customs.gov.cn/customs/302249/2480148/4227993/index.html>
- ▶ **PN regarding issuing 86 industry standards including the “Regulations on the Inspection of Imported Recycled Copper Raw Materials” and abolishing three industry standards (GAC PN [2022] No. 25)**  
<http://www.customs.gov.cn/customs/302249/2480148/4226787/index.html>



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ED None.

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