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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

- **Summary of recent tax policies that may have impact on the 2021 annual Corporate Income Tax (CIT) filing for resident enterprises**

### Synopsis

According to STA PN [2021] No. 34 ("PN 34", i.e., Public notice (PN) regarding matters related to annual CIT filing) released on 31 December 2021, the annual CIT return and schedules are updated to reflect the CIT preferential policies announced in 2021. In addition, it is important for taxpayers to note that according to the stipulation of PN 34, taxpayers with CIT prepaid during provisional filings exceeding the total CIT payable under annual CIT filing should timely apply for a CIT refund, as the overpaid CIT shall not be allowed to offset against CIT payable in the year following.

As the deadline (i.e., 31 May 2022) for the 2021 annual CIT filing is approaching, we have prepared a summary of tax policies issued recently that might have impact on the 2021 annual CIT filing for taxpayers' easy reference (please click the circular no. to access the full contents of the relevant circular.)

CIT deductions	
<p><b>Equipment and devices</b></p> <p>From 1 January 2021 to 31 December 2023, an enterprise may claim a CIT deduction in one go for any newly acquired device or equipment (except for real estate or constructions) if the unit value of the device or equipment does not exceed RMB5 million<sup>1</sup>.</p>	<p><a href="#">Caishui [2018] No. 54</a>, i.e., Notice regarding CIT policies on deductions for equipment and devices and <a href="#">MOF/STA PN [2021] No. 6</a>, i.e., PN regarding extending the implementation period of certain preferential tax policies</p>
<p><b>Research and development (R&amp;D) super deduction policy</b></p> <ul style="list-style-type: none"> <li>From 1 January 2021, manufacturing enterprises<sup>2</sup> can claim a 200% super deduction on eligible R&amp;D expenses actually incurred during R&amp;D activities for CIT purposes. Alternatively, if R&amp;D expenses incurred are capitalized as intangible assets, such enterprises can amortize the intangible assets based on 200% of the actual costs incurred<sup>3</sup>.</li> <li>Eligible enterprises were provided with a choice to either claim the super deduction of R&amp;D expenses incurred in the first half of a year under the provisional CIT filing for the third quarter or the month of September 2021 or claim the super deduction of R&amp;D expenses for the whole year of 2021 in the annual CIT filing. Either way, taxpayers should complete the relevant data fields of the returns and maintain the relevant supporting documents for future references.</li> <li>The calculation of upper limit of other relevant expenses eligible for super deduction purposes was adjusted, which may allow an enterprise engaging in multiple R&amp;D projects in a year to come up with a higher amount of upper limit of other relevant expenses.</li> </ul>	<p><a href="#">MOF/STA PN [2021] No. 13</a>, i.e., PN regarding further improving the super deduction policy for R&amp;D expenses</p> <p><a href="#">STA PN [2021] No. 28</a>, i.e., PN regarding certain matters related to further implementing the policies for super deduction of enterprise's R&amp;D expenses</p>
Regional preferential CIT policies	
<p><b>Fujian Pingtan</b></p> <p>From 1 January 2021 to 31 December 2025, qualified enterprises established in Pingtan engaging in prescribed encouraged industries are subject to a reduced CIT rate of 15%<sup>4</sup>.</p>	<p><a href="#">Caishui [2021] No. 29</a>, i.e., Notice regarding continuously implementing preferential CIT policies in the Fujian Pingtan Comprehensive Experimental Zone</p>



## Regional preferential CIT policies (Cont'd)

### **Hainan Free Trade Port (FTP)**

From 1 January 2020 to 31 December 2024:

- ▶ Enterprises registered in Hainan FTP and engaged in substantial business in prescribed encouraged industries in Hainan FTP shall be subject to a reduced CIT rate of 15%<sup>4</sup>.
- ▶ For enterprises registered in Hainan FTP and engaging in the prescribed tourism, modern services or high-and-new technology industries, any income derived from new outbound direct investments made before 2025 shall be exempt from CIT provided that certain conditions are met.

[Fagaidigugui \[2021\] No. 120](#), i.e., the Catalog of Encouraged Industries in Hainan FTP (2020 Version)

[Caishui \[2021\] No. 14](#), i.e., the Catalog of sub-industries of the tourism, modern services and high-and-new technology sectors in Hainan FTP eligible for preferential CIT policies

### **Shenzhen Qianhai**

From 1 January 2021 to 31 December 2025, qualified enterprises established in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone engaging in the prescribed encouraged industries are subject to a reduced CIT rate of 15%<sup>4</sup>.

[Caishui \[2021\] No. 30](#), i.e., Notice regarding continuously implementing the preferential CIT policies in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone

### **Shanghai Pudong**

From 1 January 2021, qualified corporate venture capital enterprises in the specific areas in Pudong New Area shall enjoy preferential CIT policies where their income derived from transfer of equity that has reached certain holding period and such income has contributed to more than 50% of their annual total income from equity transfer.

[Caishui \[2021\] No. 53](#), i.e., Notice regarding the pilot CIT policies for corporate venture capital enterprises in the specific areas of Shanghai Pudong New Area

### **Xinjiang**

- ▶ From 1 January 2021 to 31 December 2030, newly established enterprises registered in impoverished areas of Xinjiang mainly engaging in industries listed in the "Catalog of Key Encouraged Industries in impoverished areas of Xinjiang" may enjoy a tax holiday of two-year CIT exemption followed by a three-year 50% reduction of CIT (based on the statutory CIT rate of 25%) starting from their first income generating year<sup>4</sup>.
- ▶ From 1 January 2021 to 31 December 2030, newly established enterprises registered in the two special economic development zones in Kashgar and Korgos mainly engaging in industries listed in the New Catalog may enjoy a tax holiday of five-year CIT exemption starting from their first income generating year<sup>4</sup>.

[Caishui \[2021\] No. 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 Korgos

[Caishui \[2021\] No. 42](#), i.e., Notice regarding the catalog of encouraged industries subject to preferential CIT policies for impoverished areas of Xinjiang



Regional preferential CIT policies (Cont'd)	
<p><b>Western Regions</b></p> <p>From 1 January 2021 to 31 December 2030, enterprises established in the western regions and are engaging in prescribed encouraged industries can be subject to CIT at a reduced rate of 15%<sup>4</sup>.</p>	<p><a href="#">NDRC Order [2021] No. 40</a>, i.e., the Catalog of Encouraged Industries in the Western Regions (2020 Version)</p>
<p><b>Zhuhai Hengqin</b></p> <ul style="list-style-type: none"> <li>▶ Enterprises of qualified industries in the Cooperation Zone of Hengqin (hereinafter referred to as the "Cooperation Zone" or "Hengqin") will be eligible for a reduced CIT rate of 15%, and all industries conducive to Macao's economic diversification will be included in the scope of the policy<sup>4</sup>.</li> <li>▶ Enterprises are allowed to claim one-off deduction, accelerated depreciation or amortization for qualified capital expenditures incurred in a current period.</li> <li>▶ Income derived from incremental outbound direct investment of tourism, modern service and high-tech enterprises that are established in the Cooperation Zone shall be exempted from CIT.</li> </ul> <p>The above tax preferential policies for Hengqin are very similar to those of Hainan FTP. However, the detailed criteria that are expected to be further elaborated have not yet been announced. Taxpayers are encouraged to keep in touch with the supervising tax authorities and stay tuned for any tax policies and guidance to be released in this regard.</p>	<p><a href="#">Overall Plan for Building a Guangdong-Macao In-depth Cooperation Zone in Hengqin</a></p>
Specific industries and enterprises	
<p><b>Integrated Circuit (IC) enterprises/projects and software enterprises</b></p> <ul style="list-style-type: none"> <li>▶ IC enterprises/projects and software enterprises applying for certain CIT preferential treatments for IC and software industries for year 2021 should have applied for being included in the 2022 list between 25 March to 16 April 2022.</li> </ul>	<p><a href="#">Fagaigaoji [2022] No. 390</a>, i.e., Notice regarding formulating the list of IC enterprises/projects and software enterprises eligible for preferential tax policies in 2022</p>
<p><b>Pilot infrastructure real estate investment trusts (REITs)</b></p> <p><a href="#">MOF/STA PN [2022] No. 3 ("PN 3")</a>, specifies the tax treatments for pilot infrastructure REIT projects designated by the China Securities Regulatory Commission and National Development and Reform Commission prior to/during the set-up of an infrastructure REIT as well as the ongoing transactions.</p> <p>PN 3 took retroactive effect from 1 January 2021.</p>	<p><a href="#">PN 3</a>, i.e., PN regarding the tax policy for the pilot REITs in the infrastructure sector</p>

Specific industries and enterprises (Cont'd)	
<p><b>Tax policies for small and micro-sized enterprises</b></p> <p>For year 2021, any part of a small or micro-sized enterprise's annual taxable income below RMB1 million is eligible for 87.5% reduction when calculating CIT and the income between RMB1 million and RMB3 million is eligible for a 50% reduction<sup>5</sup>. The applicable CIT rate is 20%.</p>	<p><a href="#">MOF/STA PN [2021] No. 12</a>, i.e., PN regarding implementing the preferential income tax policies for small and micro-sized enterprises and self-employed industrial and commercial households</p>
<p><b>Pollution prevention and control</b></p> <p>Where a third-party enterprise applies to the preferential CIT treatment for third-party enterprises engaging in preventing and controlling pollution (i.e., reduced CIT rate of 15%), the taxpayer shall perform self-assessment to determine whether it has met all criteria to be eligible for the preferential CIT policy and keep the prescribed supporting documents for further reference.</p>	<p><a href="#">STA/NDRC/MEE PN [2021] No. 11</a>, i.e., PN regarding certain issues related to the implementation of CIT policies for third-party enterprises engaging in pollution prevention and control</p>
<p><b>Environmental protection, energy and water saving projects and comprehensive utilization of resources</b></p> <ul style="list-style-type: none"> <li>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) shall be eligible for a three-year CIT exemption followed by another three-year 50% CIT reduction, commencing from the first income-generating year.</li> <li>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) is eligible for a 10% reduction when calculating its taxable income.</li> </ul>	<p><a href="#">MOF/STA/NDRC/MEE PN [2021] No. 36</a>, i.e., 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)"</p>

Subject to the above, there are many changes made to the CIT rules and regulations which may have impact on taxpayers' positions in the 2021 annual CIT filing. Therefore, taxpayers are advised to study the relevant tax circulars in detail to ensure all relevant policies are timely and accurately adopted, stay alert to notices/guidance to be released by the supervising tax authorities and get well prepared. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> The accelerated depreciation policy for equipment/devices (i.e., fixed assets other than real properties or constructions) newly purchased by qualified small, medium and micro-sized enterprises with a unit value exceeding RMB5 million became effective from 2022 and hence shall not affect the 2021 annual CIT filing.

<sup>2</sup> A manufacturing enterprise should have 50% or above of its revenue derived from manufacturing sectors.

<sup>3</sup> As the policy of super deduction of R&D expenses for technology-based small and medium-sized enterprises became effective on 1 January 2022, it shall not affect the 2021 annual CIT filing, and eligible R&D expenses of such enterprises which are not categorized as manufacturing enterprises shall still apply the super deduction of 175% for year 2021.

<sup>4</sup> Such qualified enterprises should derive over 60% of their income from the prescribed key encouraged industries.

<sup>5</sup> The 75% reduction for eligible enterprise's annual taxable income ranging from RMB1 million to RMB3 million is only available from 1 January 2022 to 31 December 2024 and hence shall not affect the 2021 annual CIT filing.



You can click the links below to access the full content of PN 34, STA's official interpretation as well as our previous CTIE regarding PN 34:

<http://www.chinatax.gov.cn/chinatax/n362/c5171846/content.html>

<http://www.chinatax.gov.cn/chinatax/n810341/n810760/c5171847/content.html>

[https://www.ey.com/en\\_cn/china-tax-alerts/ctie-2022002-eng](https://www.ey.com/en_cn/china-tax-alerts/ctie-2022002-eng)

- ▶ **The executive meeting of the State Council decided to further expedite tax refund process, maintain stability in foreign trade, etc.**

### **Synopsis**

On 13 April 2022, Premier Li Keqiang presided over a State Council executive meeting (hereinafter referred to as the "Meeting"), which decided to adopt some policy measures to further expedite export tax refund process, promote steady growth in consumption and foreign trade, provide more financial support to real economy, etc.

Key measures mentioned in the Meeting related to export tax refund and foreign trade are as follows:

- ▶ After the implementation of the policy of consistent tax levying and refunding rates on export products, processing trade enterprises are allowed to take the tax to be refunded as input VAT credits to offset VAT liabilities.
- ▶ The export credit insurance indemnities obtained by foreign trade enterprises shall be regarded as foreign exchange receipts and shall be refunded accordingly.
- ▶ Expand the coverage of the departure tax refund policy and promote facilitation measures such as tax refund upon purchase.
- ▶ Enhance cross-departmental data sharing and simplify paperwork required for export tax refund. Implement online handling of declaration, review and feedback. The average time needed for export tax refund will be further cut from seven to no more than six working days this year.
- ▶ Support integrated foreign trade service firms in handling export tax refund on behalf of manufacturers.
- ▶ Constantly optimize the business environment for foreign trade. Make customs clearance for returning export goods more efficient. Formulate more policies to support the development of overseas warehouses and facilitate cross-border e-commerce returns and exchanges.

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 Meeting:

[http://www.gov.cn/premier/2022-04/13/content\\_5685114.htm](http://www.gov.cn/premier/2022-04/13/content_5685114.htm)

## **Business circular**

- ▶ **Opinions on accelerating the construction of a national uniform market**

### **Synopsis**

To stabilize the internal business and trade of China (also known as the "internal circulation"), on 25 March 2022, the Central Committee of the Communist Party of China and State Council jointly released the opinions on accelerating the construction of a national unified market (hereinafter referred to as the "Opinions") which aim to break through the regional barriers and promote the development of a smooth economic cycle in China. Under which, some key business-related points are highlighted as follows:

- ▶ A uniform market access system shall be strictly implemented on a nationwide basis. Local government authorities are not allowed to announce any local negative list for market access.

- ▶ A national uniform business registration standard shall be announced with a glossary of allowable wordings and terms for industries of enterprise name registration, on the other hand, a uniform standard for the registration of business scope of enterprises shall be steadily built.
- ▶ Clean up local rules and policies that reflect regional protectionism and discriminate foreign investment enterprises and enterprises of other regions to promote level playing field and attract high quality investors.

In addition, it is stated in the Opinions that the uniform market does not mean a “one-size-fits-all approach”. Instead, the uniform market access system shall be implemented with joint considerations of major regional strategic and development plans.

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 Opinions:

[http://www.gov.cn/zhengce/2022-04/10/content\\_5684385.htm](http://www.gov.cn/zhengce/2022-04/10/content_5684385.htm)

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

- ▶ **Notice regarding several catalogs of vehicle-related preferential treatments including the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (37th Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (53rd Batch)”, etc. (MIIT PN [2022] No. 9)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art\\_c55b9d0b1ba44a2a86a6db0669ca262a.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_c55b9d0b1ba44a2a86a6db0669ca262a.html)
- ▶ **Notice regarding further enhancing the financial support for the development of small and micro-sized enterprises in 2022 (Yinbaojianbanfa [2022] No. 37)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1046200>
- ▶ **Implementation opinions on accelerating the cyclic utilization of waste textiles (Fagaihuanzi [2022] No. 526)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220411\\_1321822.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220411_1321822.html)
- ▶ **Notice regarding enhancing the application of credit information sharing and promoting the construction of financing credit service platforms network (Fagaibancaijin [2022] No. 299)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220408\\_1321778.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220408_1321778.html)
- ▶ **Notice regarding further supporting the healthy development of listed companies (Zhengjianfa [2022] No. 36)**  
[http://www.gov.cn/zhengce/zhengceku/2022-04/12/content\\_5684645.htm](http://www.gov.cn/zhengce/zhengceku/2022-04/12/content_5684645.htm)
- ▶ **Notice regarding the implementation plan on the legal construction in the banking and insurance industries (Yinbaojianfa [2022] No. 7)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1046525>
- ▶ **Notice regarding the “Construction Plan of High-quality Development Demonstration Zones in the Ganzhou Old Revolutionary Base Areas of Jiangxi Province” (Fagaizhengxing [2022] No. 423)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220413\\_1321982.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220413_1321982.html)
- ▶ **Notice regarding the “Construction Plan of High-quality Development Demonstration Zones in the Minxi Old Revolutionary Base Areas of Fujian Province” (Fagaizhengxing [2022] No. 424)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220413\\_1321984.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202204/t20220413_1321984.html)
- ▶ **PN regarding adjusting the format of the certificate of origin under the free trade agreement between China and Korea (GAC PN [2022] No. 33)**  
<http://gongbei.customs.gov.cn/customs/302249/2480148/4287282/index.html>

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ED None.

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