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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

- ▶ **Public notice (PN) regarding matters related to enterprises claiming super deduction of research and development (R&D) expenses in the provisional Corporate Income Tax (CIT) filing (STA PN [2022] No. 10)**

Synopsis

In 2021, the State Taxation Administration (STA) released MOF/STA PN [2021] No. 13 ("PN 13", i.e., PN regarding further improving the super deduction policy for R&D expenses) and STA PN [2021] No. 28 ("PN 28", i.e., PN regarding certain matters related to further implementing the policies for super deduction of enterprise R&D expenses) which prescribed that, for 2021, eligible enterprises may choose to claim the super deduction of R&D expenses incurred in the first three quarters of a year under the provisional CIT filing for the third quarter or the month of September 2021.



To further encourage the innovation of enterprises and mitigate their pressures on cash flows, on 20 May 2022, the STA released STA PN [2022] No. 10 ("PN 10") to extend the implementation of the abovementioned treatment in 2022 and onwards.

Key features of PN 10 are as follows:

- ▶ PN 10 specifies that eligible enterprises¹ may choose to claim the super deduction of R&D expenses incurred in the first three quarters of the year (i.e., Year 2022 and onwards) under the provisional CIT filing for the third quarter or the month of September (both to be completed in October).
- ▶ Such enterprises are required to perform self-assessment before applying the tax preference and maintain the relevant supporting documents for future references, and complete the provisional CIT return together with the schedule for tax preferential treatments on R&D expenses (i.e., schedule A107102). The schedule should be kept with other supporting documents for tax authorities' future verification, if any.
- ▶ If an eligible enterprise failed to claim the super deduction in the provisional CIT filing to be completed in October, it can still claim the super deduction in the annual CIT filing for the year.
- ▶ In case an enterprise performed self-assessment and estimated that it would meet the conditions of technology-based small and medium-sized enterprises (TSMEs), such enterprise may choose to claim a super deduction of 200% on eligible R&D expenses actually incurred in the first three quarters of the year under the provisional CIT filing for the third quarter or the month of September. However, in the annual CIT filing, this enterprise would need to fill the reference no. of its TSME status in the annual CIT return. Otherwise, the excess amount of tax preference claimed in October would need to be adjusted in the annual CIT filing (e.g., for the case of an "other eligible enterprise", the excess 25% (i.e., 200% - 175%) to be added back as if it has no TSME status). To fully leverage the tax preference, enterprises that can enjoy extra benefit under a TSME status should timely submit their information for self-evaluation to the supervising departments in the beginning of a year, so that they would be able to obtain the reference no. before the deadline of annual CIT filing.

PN 10 became effective on 1 January 2022. Relevant taxpayers are advised to read the abovementioned circulars for details and fully leverage the benefits offered. If in doubt, timely consultations with professionals are highly recommended.

¹ According to the prevailing CIT rules, the following eligible enterprises are allowed to claim a super deduction on eligible R&D expenses actually incurred in the course of R&D activities for CIT purposes:

Types of eligible enterprises	Super deduction policies on eligible R&D expenses applicable for year 2022 and onwards
Manufacturing enterprises (manufacturing enterprises should derive over 50% of annual operating income from manufacturing industries as prescribed in the prevailing Industrial Classification and Codes for National Economic Activities (GB/T 4574-2017))	200%
TSMEs	
Other eligible enterprises (except for those engaging in tobacco manufacturing, accommodation and catering, real estate, leasing and commercial services, entertainment, and other industries to be specified by the Ministry of Finance (MOF) and STA)	175%

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

<http://www.chinatax.gov.cn/chinatax/n362/c5175756/content.html>

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5163160/content.html>

You can click this link to access the full content of PN 28:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5169007/content.html>

► **Notice regarding the preferential CIT policy for the Guangdong-Macao In-depth Cooperation Zone in Hengqin (Caishui [2022] No. 19)**

Synopsis

To support the construction of the Guangdong-Macao In-depth Cooperation Zone in Hengqin (hereinafter referred to as the “Cooperation Zone”), the MOF and STA jointly announced preferential CIT policies for the Cooperation Zone via Caishui [2022] No. 19 (“Circular 19”) on 25 May 2022. Details are as follows:

Reduced CIT rate

According to Circular 19, enterprises engaging in qualified industries in the Cooperation Zone will be eligible for a reduced CIT rate of 15%. To enjoy the preferential policy, an enterprise shall meet the following conditions:

- The primary business falls within the scope as specified in the “Catalogue of Industries Eligible for the Preferential CIT Treatments for the Guangdong-Macao In-depth Cooperation Zone in Hengqin (version 2021)” (hereinafter referred to as the “Catalogue”, see the Annex of Circular 19), and its primary business income accounts for more than 60% of the total income.
- Substantial operations should be conducted, that is, the effective management of the enterprise is located in the Cooperation Zone and implements substantial and comprehensive management and control over the production and operation, personnel, accounts, property, etc. of the enterprise.

It is worth-noting that, where an enterprise has its head office established in the Cooperation Zone, the reduced CIT rate of 15% is only applicable to the income of the head office and the branches established in the Cooperation Zone that meet the conditions as specified above. Where an enterprise has its head office established outside of the Cooperation Zone, the reduced CIT rate of 15% shall only be applicable to the income of the branches established in the Cooperation Zone that meet the conditions as specified above.

CIT exemption

Income derived from incremental outbound direct investments (“ODI”) of tourism, modern service and high-tech enterprises that are established in the Cooperation Zone as specified in the Catalogue shall be exempted from CIT. Qualified incremental ODI shall meet the following conditions:

- Operating profits from newly established overseas branches, or dividend income corresponding to incremental ODI derived from overseas subsidiaries with shareholding ratio of not less than 20%.
- The statutory CIT rate of the invested country (region) shall not be lower than 5%.

Purchase of fixed assets

Enterprises established in the Cooperation Zone that purchase (including self-built and self-developed) fixed assets or intangible assets other than houses and buildings with unit value not exceeding RMB5 million (inclusive) are allowed to claim one-off deduction when calculating taxable income; where the unit value exceeds RMB5 million, the depreciation and amortization are allowed to be accelerated.

Area of the Cooperation Zone

The area of the Cooperation Zone under Circular 19 shall be implemented in accordance with the “Overall Plan for Building a Guangdong-Macao In-depth Cooperation Zone in Hengqin” (hereinafter referred to as the “Overall Plan”) which was issued in 2021.

Circular 19 became effective on 1 January 2021. As Circular 19 has been released recently, qualified enterprises are advised to contact the competent tax authorities on time to amend their CIT returns that have been filed so as to enjoy the preferential policies. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 19:

<http://czt.gd.gov.cn/attachment/0/490/490524/3941545.pdf>

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

http://www.gov.cn/zhengce/2021-09/05/content_5635547.htm

► **2022 Operation Guidelines on the Refund Policy of Input Value-added Tax (VAT) Credits Brought Forward from Previous Periods**

Synopsis

In order to facilitate taxpayers to enjoy the refund policy of input VAT credits brought forward from previous periods, the STA has summarized the VAT credits refund policies recently and released the “2022 Operation Guidelines on the Refund Policy of Input VAT Credits Brought Forward from Previous Periods” (hereinafter referred to as the “Operation Guidelines”) on 27 May 2022.

The Operation Guidelines provide a detailed introduction to the entities eligible for the input VAT credit refund policies, respective policies applicable to different types of entities, operation process and relevant regulatory circulars. In addition, the Operation Guidelines also specify several noteworthy rules of the input VAT refund policies as follows:

- Where a taxpayer exports goods and services and thus triggers cross-border tax liabilities, it should first apply for VAT exemption, credit and refund if applicable. After that, the taxpayer can apply for the refund of input VAT credits brought forward from previous periods if the prescribed conditions are met. Where the VAT exemption and refund measure is applicable, the relevant input VAT amount should not be used for refund of the input VAT credits brought forward from previous periods.
- Taxpayers that have obtained refund of input VAT credits brought forward from previous periods since 1 April 2019 shall not enjoy the policies of “same time levy and refund” and “levy first and rebate (refund) later”. Taxpayers can apply for the policies of “same time levy and refund” and “levy first and rebate (refund) later” after paying back all the input VAT credits refunded in a one-off manner before 31 October 2022.

Taxpayers that have enjoyed the policies of “same time levy and refund” and “levy first and rebate (refund) later” since 1 April 2019 can apply for refund of input VAT credits brought forward from previous periods in accordance with the regulations after paying back all the VAT refund upon “same time levy and refund” and “levy first and rebate (refund) later” in a one-off manner before 31 October 2022.

- Self-employed industrial and commercial households to which the general VAT computation method is applicable may voluntarily apply to the competent tax authorities for evaluation with reference to the enterprise’s tax credit evaluation indicators and evaluation methods, and apply for the refund of input VAT credits brought forward from previous periods if the prescribed conditions are met.
- Taxpayers can either apply to the competent tax authorities for refund of input VAT credits brought forward from previous periods or carry forward the input VAT credits to the periods following.
- Taxpayers can apply for refund of incremental and accumulated input VAT credits brought forward from previous periods simultaneously within the prescribed time limit.
- Taxpayers that meet the conditions specified by the input VAT refund policies for both small-sized enterprises with meager profits and enterprises engaging in manufacturing industry and etc.² can choose to apply one of the input VAT refund policies.

Relevant taxpayers that plan to apply for refund of input VAT credits brought forward from previous periods are advised to read the Operation Guidelines for details so as to fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

² “Enterprises engaging in manufacturing industry and etc.” refers to taxpayers that derive over 50% of VAT taxable income from six industries including manufacturing, scientific research and technical services, etc. as categorized in the *Industrial Classification and Codes for National Economic Activities*.

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

<http://www.chinatax.gov.cn/chinatax/c102089/c5175626/content.html>

► **Guidelines of tax policies for stabilizing foreign trade and foreign investment**

Synopsis

To provide taxpayers with more certainty in terms of the application of various tax preferential policies, the STA released the Guidelines of tax policies for stabilizing foreign trade and foreign investment (hereinafter referred to as the “Guidelines”) on 31 May 2022 which cover 44 tax preferences related to foreign trade and foreign investments.

The Guidelines contain an outline of the 44 items of tax preferences for foreign trade and foreign investments under the following sections:

Foreign trade

- Tax policies for export of goods/services
- VAT policies for cross-border taxable services
- Tax policies for new forms and models of foreign trade
- Facilitated measures for export tax refund (exemption)

Foreign investments

- Tax policies related to promotion of foreign investments
- Tax policies related to the open-up of financial market

The Guidelines are launched with two attachments, i.e., Attachment I which sets out each item of tax preference with the scope of applicable taxpayers, details of the preferences, criteria and the legal basis, as well as Attachment II which is a summary of all relevant preferential policies.

This Guidelines may be served as a useful toolkit for relevant taxpayers to quickly locate the applicable tax preferences and assess whether they are eligible to such preferences. Related taxpayers are encouraged to read the Guidelines for more details and fully leverage the benefits. If in doubt, consultations with professionals are always recommended.

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5175739/content.html>

► **Notice regarding expanding the scope of the temporary deferral of social security contributions (Renshebufa [2022] No. 31)**

Synopsis

According to Renshetingfa [2022] No. 16 ("Circular 16", i.e., Notice regarding implementing the policies on the temporary deferral of social security contributions for industries in difficulty), a deferral policy is applicable to the three social security contributions (i.e., employees' basic pension insurance, unemployment insurance and work-related injury insurance contributions) by employers in five industries, i.e., catering, retail, tourism, civil aviation, highway, waterway and railway transportation industries.

Subsequently, to further mitigate the recent negative effects on the market entities, people's livelihood, etc. due to the COVID-19 pandemic, the MOF, STA, Ministry of Human Resources and Social Security (MOHRSS) and National Development and Reform Commission jointly released Renshetingfa [2022] No. 31 ("Circular 31") on 31 May 2022 to expand the scope of the abovementioned deferral policy.

Subject to approval from the local departments under the MOHRSS, eligible employers may defer their payment of the three social security contributions as follows:

Types of employers	Employees' basic pension insurance	Unemployment insurance and work-related injury insurance
Employers engaging in the 17 industries as prescribed in Circular 31	The payment for the period of April 2022 to June 2022 can be deferred until the end of 2022.	The payment for the period of April 2022 to March 2023 can be deferred for no more than a year.
Employers engaging in the five industries as prescribed in Circular 16		

Small, medium and micro enterprises, self-employed industrial and commercial households as employers that are facing economic shock due to the COVID-19 pandemic may also apply to defer the payment of the three social security contributions to the end of 2022. Other social organizations (e.g., public entities) that participate in employees' basic pension insurance may execute the treatment as well.

Certain local departments have already issued local policies in response to Circular 31. Relevant businesses are encouraged to refer to the local policies for further guidance.

You can click this link to access the full content of Circular 31:

http://www.gov.cn/zhengce/zhengceku/2022-06/01/content_5693308.htm

You can click this link to access the full content of Circular 16:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5175280/content.html>

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

► **Guidelines of preferential tax policies for supporting green development**

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5175740/content.html>

► **PN regarding Vehicle Purchase Tax reduction for certain passenger vehicles (MOF/STA PN [2022] No. 20)**

http://www.gov.cn/zhengce/zhengceku/2022-05/31/content_5693233.htm

- ▶ **Notice regarding matters related to further facilitating foreign institutional investors investing in China's bond market (PBOC /CSRC/SAFE PN [2022] No. 4)**
http://www.gov.cn/xinwen/2022-05/28/content_5692768.htm
- ▶ **Notice regarding matters applicable to the “Regulations on Accounting Treatment for Rent Reductions During the COVID-19 Epidemic” (Caikuai [2022] No. 13)**
http://www.gov.cn/zhengce/zhengceku/2022-05/27/content_5692665.htm
- ▶ **Measures for the Integrated Management of Accounting Firms (Caikuai [2022] No. 12)**
http://kjs.mof.gov.cn/zhengcefabu/202205/t20220527_3813598.htm
- ▶ **Notice regarding a package of policy measures for stabilizing economy (Guofa [2022] No. 12)**
http://www.gov.cn/zhengce/content/2022-05/31/content_5693159.htm
- ▶ **Notice regarding the implementation plan for promoting the high-quality development of new energy in the new era**
http://www.gov.cn/zhengce/content/2022-05/30/content_5693013.htm
- ▶ **Notice regarding the “Opinions on the Financial Support for Achieving Carbon Peak and Carbon Neutrality” (Caizihuan [2022] No. 53)**
http://zyhj.mof.gov.cn/zcfb/202205/t20220530_3814434.htm
- ▶ **Notice regarding supporting the pilot program to facilitate cross-border financing for High and New Technology Enterprises and ‘Specialized, Sophisticated, Distinctive and Innovative’ Enterprises (Huifa [2022] No. 16)**
<http://www.safe.gov.cn/safe/2022/0531/21030.html>
- ▶ **Notice regarding further increasing government procurement to support small and medium-sized enterprises (Caiku [2022] No. 19)**
http://www.gov.cn/zhengce/zhengceku/2022-05/31/content_5693253.htm
- ▶ **Notice regarding further reducing costs of market entities to support industry development (Shangzhengfa [2022] No. 84)**
http://www.sse.com.cn/lawandrules/sselawsrules/charge/c/c_20220531_5702843.shtml
- ▶ **Notice regarding accelerating the construction of a unified national market to provide support for new development pattern**
https://www.ndrc.gov.cn/fzggw/wld/hlf/lddt/202206/t20220601_1326737.html?code=&state=123
- ▶ **Notice regarding the “Regulations on Accounting Treatment for Asset Management Products” (Caikuai [2022] No. 14)**
http://kjs.mof.gov.cn/zhengcefabu/202206/t20220601_3815145.htm
- ▶ **Notice regarding implementing measures for facilitating the access of road motor vehicle manufacturers and products (Gongxinbutongzhuanghan [2022] No. 119)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tg/art/2022/art_c56816d9af964d66acb11e82dd3626b4.html
- ▶ **Notice regarding the “Provisional Measures on the Administration of the Graded Cultivation of High-quality Small and Medium-sized Enterprises” (Gongxinbuqiye [2022] No. 63)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_2a0941b2688143b1a2236970d85adbae.html
- ▶ **Notice regarding regulating the business transactions between listed companies and finance companies of enterprise groups (Zhengjianfa [2022] No. 48)**
<http://www.csrc.gov.cn/csrc/c100028/c3185697/content.shtml>
- ▶ **PN regarding matters related to expedited handling of cases (GAC PN [2022] No. 42)**
<http://www.customs.gov.cn/customs/302249/2480148/4363496/index.html>
- ▶ **Notice regarding regulating the matters related to the issuance of enterprise credit certificates (Shuqiha [2022] No.80)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4369172/index.html>
- ▶ **Notice regarding extending the policies of partial luggage delivery during the period of COVID-19 epidemic (Shujianhan [2022] No. 78)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4369245/index.html>

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