

Issue No. 2022027  
22 Jul 2022

# 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

- ▶ **Notice regarding the pilot program on preferential Corporate Income Tax (CIT) policies for enterprises conducting basic research in the core area of Zhongguancun National Independent Innovation Demonstration Zone (Haidian Park) (Caishui [2022] No. 17)**

### Synopsis

According to the prevailing CIT rules, the eligible enterprises are allowed to claim a super deduction on research and development (R&D) expenses actually incurred in the course of R&D activities for CIT purposes.



Details are as follows:

Types of eligible enterprises	Super deduction policies on eligible R&D expenses applicable for year 2022 and onward
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%
Technology-based small and medium-sized enterprises	
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 State Taxation Administration (STA))	175%

To further encourage enterprises to invest in basic research, on 10 May 2022, the MOF and STA jointly released Caishui [2022] No. 17 ("Circular 17") to launch a pilot program in the core area of Zhongguancun National Independent Innovation Demonstration Zone (Haidian Park).

As prescribed in Circular 17, from 1 January 2022, resident enterprises registered in Haidian Park that set up not-for-profit funds engaging in basic research or tackling core technology problems with the National Natural Science Foundation of China (国家自然科学基金) or Beijing Natural Science Foundation (北京自然科学基金) may claim a super deduction on their investments contributed to the not-for-profit funds according to the prevailing CIT policies.

Accordingly, the Beijing Municipal Finance Bureau, Beijing Municipal Tax Service, STA, Beijing Municipal Science and Technology commission, and Administrative Commission of Zhongguancun Science Park jointly released Jingcaishui [2022] No. 1342 ("Circular 1342") on 4 July 2022 to specify that Beijing Municipal Science and Technology Commission and Administrative Commission of Zhongguancun Science Park shall, submit a list of details related to the eligible enterprises that set up qualifying non-for-profit funds (i.e., Attachment II of Circular 1342) to the Beijing Municipal Tax Service, STA during the period from 15 October of the current year to 15 January of the year following to ensure that the relevant taxpayers shall enjoy the preferential CIT treatments as prescribed in Circular 17.

However, according to the above time schedule, such enterprises shall not be able to claim the super deduction for expenditure related to the abovementioned not-for-profit funds in the first three quarters of the year under the provisional CIT filing for the third quarter or the month of September (both to be completed in October) according to the prevailing rules. Instead, these enterprises would only be able to claim the super deduction in the annual CIT filing.

Besides, certain issues from tax implementation perspectives are yet to be clarified by the authorities, e.g., do the enterprises need to obtain relevant documents specifying their investments contributed to the not-for-profit funds as supporting documents to claim super deduction.

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 Circular 17:

<http://czj.beijing.gov.cn/zwxx/tztg/202207/P020220708406589440872.pdf>

You can click this link to access the full content of Circular 1342:

[http://czj.beijing.gov.cn/zwxx/tztg/202207/t20220708\\_2766709.html](http://czj.beijing.gov.cn/zwxx/tztg/202207/t20220708_2766709.html)

► **Public notice (PN) regarding extending the application deadline for input Value-added Tax (VAT) refunds of July 2022 (STA PN [2022] No. 15)**

**Synopsis**

To ensure the smooth implementation of the policy for expanding the coverage of the full refund policy of input VAT credits brought forward from previous periods, and to facilitate taxpayers to apply for input VAT refunds, the STA issued STA PN [2022] No. 15 ("PN 15") on 8 July 2022, announcing the decision to extend the application deadline for input VAT refunds of July 2022 from the VAT filing deadline to the last working day of July 2022.

According to the prevailing regulations, all taxpayers that meet the conditions for input VAT refunds (not limited to those taxpayers engaging in the seven newly included industries<sup>1</sup>, e.g., wholesale and retail) can submit the "VAT Refund (Credit) Application Form" before the last working day of July (i.e., 29 July, inclusive) if they plan to apply for input VAT refunds in July. Qualified taxpayers can also apply for input VAT refunds after July 2022.

Qualified taxpayers are advised to submit application for input VAT refunds in time as required. If in doubt, consultations with professionals are always recommended; this is particularly important if taxpayers are not totally certain on their eligibility to VAT refunds.

<sup>1</sup> According to MOF/STA PN [2022] No. 21 ("PN 21", i.e., PN regarding expanding the coverage of the full refund policy of input VAT credits brought forward from previous periods), the scope of qualifying taxpayers that may apply for a full refund of incremental VAT credits on a monthly basis and a one-off refund of remaining VAT credits is expanded to include enterprises (including self-employed industrial and commercial households) engaging in the following seven industries: retail and wholesale, agricultural, forestry, animal husbandry and fishery, accommodation and catering, resident services, repairs and other services, education, hygiene and social work, and culture, sports and entertainment industries.

You can click this link to access the full content of PN 15:

<http://www.chinatax.gov.cn/chinatax/n359/c5178102/content.html>

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

<http://www.chinatax.gov.cn/chinatax/n359/c5175898/content.html>

► **Notice regarding accelerating relevant procedures of "levy first and refund later" (Shuiguanhan [2022] No. 43)**

**Synopsis**

To further ease the burden on enterprises, reduce their costs and optimize the business environment, the Department of Duty Collection of the General Administration of Customs (GAC) released Shuiguanhan [2022] No. 43 ("Circular 43") on 11 July 2022, clarifying certain matters related to the implementation of the policy of "levy first and refund later" of import VAT on natural gas and Consumption Tax (CT) on imported naphtha and fuel oil that are used to produce ethylene and aromatics. Details are as follows:

**Reduce processing time (refund of import VAT on natural gas)**

- The time limits for the customs to complete the preliminary examination and re-examination of the procedures of "levy first and refund later" are reduced from 15 working days and 10 working days to five working days respectively.
- The time limit for forwarding the approval document of the local regulatory bureau of the MOF is reduced from 5 working days to 3 working days.
- The customs at the place of declaration shall issue the "Letter of Income Refund" within three working days upon receipt of the forwarded approval document.

## Optimize tax refund procedures (refund of CT on imported naphtha and fuel oil used to produce ethylene and aromatics)

- ▶ Clarify that the customs shall complete examination within five working days.

The customs at the place of declaration shall complete examination and issue the “Letter of Income Refund” within five working days upon receipt of all the application materials submitted by enterprises.

- ▶ Cancel the record-filing that needs to be conducted with the Department of Duty Collection of the GAC.

It is no longer required to conduct record-filing with the Department of Duty Collection for a single tax refund of more than RMB20 million. Instead, it shall be reported to the duty collection authority of the direct subordinate customs once a month afterwards.

Relevant parties are encouraged to make reference to Circular 43 for greater details.

You can click this link to access the full content of Circular 43:

<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4464971/index.html>

## Business circular

- ▶ **Notice regarding the 2022 Legislative Work Plan of the State Council (Guobanfa [2022] No. 24)**

### Synopsis

On 5 July 2022, the State Council announced the annual legislative work plan for 2022 (hereinafter referred to as the “2022 Legislative Plan”). The 2022 Legislative Plan specifies the legislative projects in 2022 including the legislative projects to be submitted to the Standing Committee of the National People’s Congress (NPC) for deliberation, the administrative regulations to be formulated or revised, and other legislative projects to be completed. Among them, some key legislative projects related to taxation and business include:

### Legislative projects for deliberation

- ▶ Draft VAT Law
- ▶ Draft Customs Duty Law
- ▶ Draft Financial Stability Law
- ▶ Revised Draft of the Administrative Review Law

In addition, some legislative projects prepared to be submitted to the Standing Committee of the NPC for deliberation include:

- ▶ Draft CT Law
- ▶ Revised Draft of Customs Law

### Administrative regulations to be formulated or revised

- ▶ Provisional Administrative Regulations on Carbon Emission Permit Trading

### Other legislative projects to be completed

Clean up the relevant laws and regulations that might contradict with the transformation of government functions, reforms of “Delegate Power, Streamline Administration and Optimize Government Services” and “Separating Permits from Business Licenses”, business environment optimization, etc.

Relevant parties are encouraged to read the 2022 Legislative Plan for more details. We will keep an eye on any further progress and update you accordingly. Please stay tuned.

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

[http://www.gov.cn/zhengce/content/2022-07/14/content\\_5700974.htm](http://www.gov.cn/zhengce/content/2022-07/14/content_5700974.htm)

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

- ▶ **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (40th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (56th Batch)", etc. (MIIT PN [2022] No. 16)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art\\_03777413b5c74438a559cdcb04ada46c.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_03777413b5c74438a559cdcb04ada46c.html)
- ▶ **Administrative Measures on the Capitals of Financial Asset Investment Companies (Trial) (Yinbaojianguai [2022] No. 12)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1060476&itemId=925&generaltype=0>
- ▶ **Provisional Administrative Measures on Gold Leasing (Yinbanfa [2022] No. 88)**  
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4600134/index.html>
- ▶ **Notice regarding further promoting financial services for the high-quality development of manufacturing industry (Yinbaojianbanfa [2022] No. 70)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1060981&itemId=928>
- ▶ **Notice regarding the implementation plan for achieving peak carbon emissions in urban-rural development area (Jianbiao [2022] No. 53)**  
[http://www.gov.cn/zhengce/zhengceku/2022-07/13/content\\_5700752.htm](http://www.gov.cn/zhengce/zhengceku/2022-07/13/content_5700752.htm)
- ▶ **Notice regarding matters related to the report and recommendation of newly purchased projects of real estate investment trusts (REITs) in the infrastructure sector (Fagaibantouzi [2022] No. 617)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202207/t20220713\\_1330443.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202207/t20220713_1330443.html)
- ▶ **PN regarding pilot run on the anti-monopoly review of concentration of undertakings (SAMR PN [2022] No. 23)**  
[https://gkml.samr.gov.cn/nsjg/fldes/202207/t20220715\\_348645.html](https://gkml.samr.gov.cn/nsjg/fldes/202207/t20220715_348645.html)
- ▶ **PN regarding further optimizing the epidemic control and prevention measures of imported cold-chain food ports (GAC PN [2022] No. 58)**  
<http://www.customs.gov.cn/customs/302249/2480148/4460445/index.html>
- ▶ **PN regarding requirements for declaring the tariff code of acrylic fiber (GAC PN [2022] No. 59)**  
<http://www.customs.gov.cn/customs/302249/2480148/4466753/index.html>
- ▶ **PN regarding the 2022 random inspection of import and export commodities that are not subject to statutory inspection (GAC PN [2022] No. 60)**  
<http://www.customs.gov.cn/customs/302249/2480148/4467152/index.html>





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