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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

- ▶ **State Council executive meeting to further expand demand initiatives, enhance effective investment and increase consumption**

### Synopsis

On 29 July 2022, Premier Li Keqiang presided over an executive meeting of the State Council (hereinafter referred to as the "Meeting"), deployed policy initiatives to further expand demand, and clarified certain matters related to enhancing effective investment and increasing consumption, etc.

Pursuant to the Meeting, the following tax policies which are to be due on 31 December 2022 shall be further extended:

- ▶ The Vehicle Purchase Tax (VPT) exemption for new energy vehicles as prescribed in MOF/STA/MIIT Public Notice (PN) [2020] No. 21 ("PN 21", i.e., PN regarding certain policies related to VPT exemption for new energy vehicles).

- ▶ The “super input Value-added Tax (VAT) credit” policies for services industry as prescribed in Fagaicaijin [2022] No. 271 (“Circular 271”, i.e., Notice regarding certain policies for promoting the recovery and development of the service industries in difficulty):
  - ▶ General VAT taxpayers engaging in production services (i.e., postal services, telecommunication services and modern services) shall be given an extra 10% “super input VAT credit”.
  - ▶ General VAT taxpayers engaging in lifestyle services shall be given an extra 15% “super input VAT credit”.

Relevant parties are encouraged to read the abovementioned circulars for more details. It is expected that relevant implementation rules may be further released by respective government authorities in this regard. 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 the Meeting:

[http://www.gov.cn/premier/2022-07/29/content\\_5703527.htm](http://www.gov.cn/premier/2022-07/29/content_5703527.htm)

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

[http://szs.mof.gov.cn/zhengcefabu/202004/t20200417\\_3500222.htm](http://szs.mof.gov.cn/zhengcefabu/202004/t20200417_3500222.htm)

You can click this link to access the full content of Circular 271:

[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220218\\_1315824.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220218_1315824.html?code=&state=123)

- ▶ **Notice regarding the “Measures of Shanghai for Further Facilitating the Handling of Export Tax Refunds and Optimizing the Business Environment of Foreign Trade” (Hushuifa [2022] No. 68)**

### Synopsis

To support the work and production resumption of export enterprises and optimize the business environment of foreign trade, the Shanghai Municipal Tax Service, State Taxation Administration (STA) and several other departments jointly issued the “Measures of Shanghai for Further Facilitating the Handling of Export Tax Refunds and Optimizing the Business Environment of Foreign Trade” via Hushuifa [2022] No. 68 (“Circular 68”) on 24 July 2022.

Key measures mentioned in Circular 68 are as follows:

### Facilitate the handling of export tax refunds

- ▶ Promote online services for the handling of tax refunds.
- ▶ Reduce the materials required for submission, change certain materials from “submission of materials” to “retention of materials for future reference”, and promote the e-certifications of export tax refund.
- ▶ Promote information sharing.
- ▶ Implement the “fault tolerance” mechanism for risk-controlled export tax refund declarations.
- ▶ Promote the application of “single window” for handling matters related to cross-border trade.

### Improve the quality and efficiency of export tax refunds

- ▶ Ensure the average time spent for handling normal export tax refunds in 2022 is no more than five working days and the average time spent by export enterprises classified as Categories I and II for handling tax refunds is no more than three working days.
- ▶ After the VAT refund rates are adjusted to be consistent with the VAT rates of export products (except for those high energy consumption, high pollution and resource products) according to the regulations, input VAT transferred out due to the previous inconsistency shall be allowed to be transferred back in for credit by the end of 2022.

- ▶ Establish a normalized information transmission mechanism to facilitate export enterprises on claiming export tax refunds using insurance indemnities, if applicable.
- ▶ Improve the export enterprise foreign exchange data sharing mechanism.

### Optimize the business environment of foreign trade

- ▶ Encourage and support qualified cross-border e-commerce export enterprises to apply export tax refund policies.
- ▶ Improve the public service platform of cross-border e-commerce and guide export enterprises to register export commodity information on the public service platform.
- ▶ Constantly deepen pilot facilitation measures for departure tax refunds.
- ▶ Strengthen inter-departmental cooperation to promote the precise prevention of illegal and criminal acts such as tax fraud.

Relevant taxpayers are advised to read Circular 68 for greater details so as to leverage the facilitation measures. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 68:

<http://shanghai.chinatax.gov.cn/zcfw/zcfgk/jckss/202207/t463594.html>

## Business circulars

- ▶ **Measures of the Guangdong-Macau In-Depth Cooperation Zone in Hengqin (Hengqin) for promoting the development of integrated circuit (IC) industry**

### Synopsis

On 25 July 2022, the Management Committee of Hengqin released the Measures of Hengqin for promoting the development of IC industry (hereinafter referred to as the “Measures”).

According to the Measures, financial subsidies shall be provided to support establishment and development of IC companies in Hengqin, recruitment and training of talents, establishment of public service platforms, as well as collaboration of innovation between Guangdong and Macau. For instance, IC companies newly set up or relocated into Hengqin with paid-in capital not less than RMB10 million shall be provided with a financial subsidy of 10% of their paid-in capital (with a cap at RMB5 million) in a lump-sum.

It is worth-noting that, the financial subsidies provided in the Measures are not linked to revenue of tax and other governmental charges paid by the enterprises. This is in line with Guobanfa [2022] No. 20 (“Circular 20”, i.e., Guiding opinions on further promoting the reform of the sub-provincial fiscal system) issued by the General office of the State Council which clearly stated that any local policies that provide refunds or subsidies linked to revenue of tax and other governmental charges shall be cleaned up as these policies may improperly interfere the development of markets.

Investors or enterprises are encouraged to read the Measures in detail to consider the possible preference that might influence their business decisions. 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 Measures:

[http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post\\_990069.html](http://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_990069.html)

You can click this link to access the full content of Circular 20:

[http://www.gov.cn/zhengce/content/2022-06/13/content\\_5695477.htm](http://www.gov.cn/zhengce/content/2022-06/13/content_5695477.htm)

► **Guidelines on Compliance of Labor Dispatch in the Yangtze River Delta Region (Surenshefa [2022] No. 89)**

**Synopsis**

In recent years, labor dispatch, i.e., persons are employed by labor dispatch agencies (hereinafter referred to as the “agencies”) and then assigned to work for the agencies’ clients (i.e., the host entities), has been a popular choice by many enterprises even government bodies in Mainland China for the purpose of cutting down administrative costs of recruitment, handling payrolls/social security contributions, etc.

Aiming to guide the healthy and orderly development of labor dispatch in Yangtze River Delta Region, the Departments of Human Resources and Social Security of Anhui Province, Jiangsu Province, Shanghai Province, and Zhejiang Province jointly announced the Guidelines on Compliance of Labor Dispatch in the Yangtze River Delta Region (hereinafter referred to as the “Guidelines”) on 18 July 2022.

The Guidelines emphasize the matters and legal issues that the host entities and agencies should pay special attention to, and matters related to the settlement of labor disputes.

It is worth-noting that the Guidelines further clarify that the 10% headcount limit of dispatched employees as prescribed in the prevailing state policies refers to 10% of the total headcount of a host company instead of its entire group. Also, the host company should urge the agency to contribute social securities for the employees where the host company is located. In case the agency fails to do so, both the host company and the agency may be held liable.

Although this is a local Guidelines only applicable to labor dispatch in the Yangtze River Region, entities located in other areas who adopt or consider adopting the labor dispatch arrangement may also read the Guidelines for reference and understand the key issues/risks they should be aware of and consider proper action to avoid potential exposures.

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

[http://jshrss.jiangsu.gov.cn/art/2022/7/26/art\\_77279\\_10553550.html](http://jshrss.jiangsu.gov.cn/art/2022/7/26/art_77279_10553550.html)

**Other business-related circulars publicly announced by central government authorities in the past week:**

► **Notice regarding promoting the bond market to better serve the reform and development of private enterprises (Zhengjianfa [2022] No. 54)**

[http://www.gov.cn/zhengce/zhengceku/2022-07/23/content\\_5702437.htm](http://www.gov.cn/zhengce/zhengceku/2022-07/23/content_5702437.htm)

► **Notice regarding the “Guidelines for the Protection of Intellectual Property Rights at Exhibitions” (Guozhifabaozi [2022] No. 30)**

[http://www.cnipa.gov.cn/art/2022/7/22/art\\_75\\_176738.html](http://www.cnipa.gov.cn/art/2022/7/22/art_75_176738.html)

► **Notice regarding financial support for the recovery of the cultural and tourism industries (Yinfa [2022] No. 165)**

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4613316/index.html>

► **Notice regarding enhancing the interconnection between industry and finance to promote the high-quality development of “Specialized, Sophisticated, Distinctive and Innovative” small and medium-sized enterprises (Gongxintinglianqiyehan [2022] No. 137)**

<http://gxt.shaanxi.gov.cn/u/cms/www/202207/%E5%B7%A5%E4%BF%A1%E9%83%A8%E3%80%81%E4%BA%BA%E8%A1%8C%E3%80%81%E9%93%B6%E4%BF%9D%E7%9B%91%E5%B1%80%E4%B8%89%E9%83%A8%E9%97%A8%E6%96%87%E4%BB%B6-202207281555.pdf>

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