

Issue No. 2022031

19 Aug 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.

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*If you wish to access the previous issues of CTIE and *China Tax & Investment News*, please contact us.

Tax circulars

- ▶ **Notice regarding preferential Individual Income Tax (IIT) policies for Nansha district in Guangzhou (Caishui [2022] No. 29)**

Synopsis

According to the overall plan released via Guofa [2022] No. 13 for promoting comprehensive cooperation among Guangdong, Hong Kong and Macao by further deepening the open-up of Nansha district in Guangzhou (hereinafter referred to as the "Overall Plan"), the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released Caishui [2022] No. 29 ("Circular 29") on 21 July 2022 to specify the preferential IIT policies for Nansha (hereinafter referred to as "Nansha").

For your easy reference, we summarized the prevailing regional preferential IIT policies for eligible individuals in Nansha, Hengqin, Hainan, the Guangdong-Hong Kong-Macao Greater Bay Area, etc. in the table below (please click each area to access the relevant detailed policies). It is important to note that all these policies would demand IIT to be fully paid first on a provisional basis and the benefits would either be offered by refund or subsidy, there is no upfront direct exemption treatment.

IIT exemption applies in the annual IIT filing		
Areas	Eligible Individuals	Applicable IIT policies ¹
Nansha (Effective from 1 January 2022 to 31 December 2026)	Hong Kong/Macao residents working in Nansha	Their IIT burden exceeding their IIT burden that would have been arisen in Hong Kong/Macao shall be exempted.
Hengqin (Effective from 1 January 2021 to 31 December 2025)	Domestic and overseas high-end or urgently needed talents ² working in Hengqin	Their IIT burden exceeding 15% shall be exempted.
	Macao residents working in Hengqin	Their IIT burden exceeding their IIT burden that would have been arisen in Macao shall be exempted.
Hainan Free Trade Port (FTP) (Effective from 1 January 2020 to 31 December 2024)	Domestic and overseas high-end or urgently needed talents ² working in Hainan FTP	Their IIT burden exceeding 15% shall be exempted.
Subsidies to relieve IIT burden ³		
Areas	Eligible Individuals	Applicable IIT policies ¹
Pingtan of Fujian (Pingtan) (Effective from 1 January 2013 to 31 December 2025)	Taiwan residents working in Pingtan	Financial subsidies shall be provided to cover 20% of their IIT paid in Pingtan, and the financial subsidies received shall be exempt from IIT.
Specific areas of Beijing (including the core area of the capital, Beijing's sub-center, etc.) ⁴ (Effective from 1 January 2020)	Overseas high-end talents ²	Financial subsidies shall be provided to cover their IIT burden exceeding 15%.
The nine Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area⁵ (Effective from 1 January 2019 to 31 December 2023)	Overseas high-end or urgently needed talents ² who work in the Greater Bay Area	Financial subsidies shall be provided to cover the difference in IIT burden between the Mainland and Hong Kong for the eligible individuals, and the financial subsidies received shall be exempt from IIT.
Lingang New Area of Shanghai (Detailed rules are not available)	Overseas talents	As announced by the State Council in 2019, a subsidy policy for overseas talents to cover the difference of their IIT burden between the Mainland and overseas shall be studied and implemented ⁶ .

¹ Generally, the withholding agents shall withhold the IIT payable in full during the IIT provisional filings, and the individuals shall apply for exemption in the annual IIT filing to be completed in the year following or financial subsidies shall be applied by employers/individuals within the prescribed timeframe in the year following.

² "Overseas high-end or urgently needed talents" generally refers to permanent residents of Hong Kong, Taiwan, Macau, Hong Kong residents under the Hong Kong Immigration Admission Schemes for Talent, Professionals and Entrepreneurs, Mainland residents who de-registered their household register in Mainland, foreign nationals, or Chinese students or overseas Chinese who obtained long-term residence abroad, etc. who work and pay IIT in the specific areas and meet the criteria for high-end or urgently needed talents as set out by the respective municipal governments. The relevant employers/individuals should check the relevant local rules/guidance in detail.

³ It is worth-noting that certain local governments may have set a cap for the financial subsidies, e.g., for the application of financial subsidies for 2020, Shenzhen has set the maximum amount of subsidy at RMB5 million per person.

⁴ The policy for financial subsidies for overseas high-end talents in specific areas of Beijing were announced via Jingcaishui [2021] No. 731 ("Circular 731"). However, the full contents of Circular 731 currently cannot be located in official websites. Relevant individuals and entities may communicate with the supervising authorities in Beijing for more details.

⁵ The nine Mainland cities refer to the municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province. Please note that the overseas high-end talents or urgently needed talents who work in Nansha of Guangzhou are also eligible for this IIT subsidy policy of the Greater Bay Area.

⁶ In 2021, the Administrative Committee of the Linggang New Area and a few local government authorities in Shanghai jointly released Huzimaolinguanwei [2021] No. 720 ("Circular 720"), which stated a few supportive measures for expatriate talents working in Lingang, including financial subsidies to be provided to overseas high-end or urgently needed talents as well as high-end or urgently needed former Chinese Mainland resident talents returning to Mainland China from overseas to cover their IIT burden exceeding 15%. Circular 720 became effective from 22 November 2021 to 31 December 2023. However, as Circular 720 currently cannot be located in official websites and the detailed criteria, application procedures are not yet available. Relevant individuals and entities may communicate with the supervising authorities in Shanghai for more details.

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

http://www.gov.cn/zhengce/content/2022-06/14/content_5695623.htm

You can click this link to access the full content of Circular 29:

<http://czt.gd.gov.cn/attachment/0/496/496748/3994119.pdf>

► **Notice regarding the application and re-assessment of enterprises eligible for import-level tax policies on key technical equipment (Gongcaihan [2022] No. 204)**

Synopsis

As prescribed in the Administrative Measures for the Import-level Tax Policies on Key Technical Equipment (KTE) (hereinafter referred to as the "Administrative Measures"), with the publication of Catalog of State Encouraged KTE and Products and Commodity Catalog of Key Components and Raw Materials (KCRMs), the KCRMs imported necessarily for producing state-encouraged KTE and products by qualifying enterprises and nuclear power project owners shall be exempt from Custom Duty and import-level Value-added Tax (VAT).

In light of the Administrative Measures and other relevant prevailing regulations, on 2 August 2022, the Ministry of Industry and Information Technology (MIIT) released Gongcaihan [2022] No. 204 ("Circular 204") regarding the arrangements for the application and re-assessment of enterprises eligible for import-level tax policies on KTE for year 2022.

According to Circular 204, the following applicants are required to lodge applications to the competent departments at the provincial level or groups of central state-owned enterprises (responsible for reviewing applications from their subordinate enterprises/nuclear power project owners) by 31 August 2022:

- New applicants that would like to apply for the tax exemption status should submit Attachment I of Circular 204.
- Enterprises with tax exemption status who would like to be re-assessed to extend their tax exemption status should submit Attachment II of Circular 204.

Upon receiving the applications, the competent departments at the provincial level or groups of central state-owned enterprises should verify the applications and report to the MIIT by 30 September 2022.

Meanwhile, for enterprises with tax exemption status, the following issues are important to note:

- In case there are changes with the names, specifications, etc., of the KTE/KCRMs related to the Catalog of KTE and KCRMs, the enterprises should re-apply for the tax exemption status.

- ▶ For enterprises with tax exemption status that failed to apply for re-assessment as required, their tax exemption status shall be revoked on 1 January of the year following.
- ▶ For enterprises enjoying tax exemption policy for certain products which are to be expired by the end of 2022, such enterprises are not required to apply for re-assessment.
- ▶ In case the list of eligible enterprises is not announced by 1 January of the year following, the relevant enterprises may apply to the Customs to discharge the relevant goods based on a tax guarantee.

As the deadline for the application is approaching, relevant enterprises are advised to read Circular 204 and get prepared for the application as soon as possible.

You can click this link to access the full content of Circular 204:

<http://www.cdht.gov.cn/cdht/c139819/2022-08/16/2d975928d57f42e3a6ba75effec4fcd0/files/44fbdead71584cdfb9a3ecb33e6f9055.pdf>

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

http://www.gov.cn/zhengce/zhengceku/2020-01/14/content_5468912.htm

▶ **Notice regarding the special action on strictly cracking down malicious act on defrauding input VAT credits brought forward from previous periods (Hubei Provincial Tax Service, STA Notice [2022] No. 2)**

Synopsis

After the launch of refund policies of input VAT credits brought forward from previous periods, on 17 May 2022, the STA, General Administration of Customs (GAC) and other four central government authorities jointly released Shuizongjichafa [2022] No. 42 ("Circular 42") which aims to crack down malicious act on defrauding VAT credit refunds.

Notably, the tax authorities at the local level have been using the big data analysis function, etc. to detect suspicious tax frauds by overstating the amount of creditable input VAT, delaying recognition of taxable income or false issuance of VAT invoices to related parties that are eligible for the VAT refund policies, etc.

Meanwhile, it is also important for taxpayers to stay alert to notices issued by the local supervising tax authorities in this regard. For instance, on 8 August 2022, the Hubei Provincial Tax Service, STA and other six governmental authorities in Hubei jointly announced a notice regarding the special action on strictly cracking down defrauding input VAT credits brought forward from previous periods via Hubei Provincial Tax Service, STA Notice [2022] No. 2 ("Notice 2"). According to Notice 2, a lenient approach shall be available if such taxpayers who have obtained tax refunds without subjective intention or due to wrong application of policies and did not create harmful consequences, on the basis that they would come forward to settle the underpaid taxes and relevant surcharges or are willing to do so upon tax authorities' request.

On the contrary, for those maliciously committed tax fraud in this regard shall be subject to severe administrative penalties such as degrading their tax rating to D, full-fledged tax inspection of the recent three years not only on the taxpayers who committed the tax fraud but also on their upstream and downstream affiliates. Such taxpayers shall also be held accountable if they are suspected of crimes.

Taxpayers who intend to apply for the refund should fully understand the criteria for the application, the relevant application flow and get well prepared to inquiries from the supervising tax authorities (e.g., tax authorities may investigate taxpayers' related party transactions and detect any abnormal transactions).

You can click this link to access the full content of Notice 2:

<http://hubei.chinatax.gov.cn/hbsw/xxgk/tzgg/1336747.htm>

You can click this link to access the full content of Circular 42:

http://www.ningbo.gov.cn/art/2022/7/26/art_1229657629_59430315.html

► **Catalogue of Guidance for Key Development Areas of the Service Outsourcing Industry (2022 Version) (MOFCOM/MIIT/MOF/GAC PN [2022] No. 15)**

Synopsis

To implement Guofa [2014] No. 67 ("Circular 67", i.e., Opinions on accelerating the development of the service outsourcing industry) and to guide the development of the service outsourcing industry, the Ministry of Commerce (MOFCOM), MIIT, Ministry of Finance (MOF) and General Administration of Customs (GAC) jointly issued the "Catalogue of Guidance for Key Development Areas of the Service Outsourcing Industry (2022 Version)" (hereinafter referred to as the "2022 Catalogue") via MOFCOM/MIIT/MOF/GAC PN [2022] No. 15 on 7 May 2022.

The 2022 Catalogue covers 20 key development areas under three categories, i.e., information technology outsourcing, business process outsourcing, and knowledge process outsourcing. The 2022 Catalogue also sets out detailed definitions, scope and types of major business.

The "Catalogue of Guidance for Key Development Areas of the Service Outsourcing Industry (2018 Version)" (hereinafter referred to as the "2018 Catalogue") was abolished at the same time as the 2022 Catalogue promulgated.

Compared with the 2018 Catalogue which covered 23 key development areas, two new key development areas have been added to the 2022 Catalogue, including "intellectual property services", "new material technology research and development services"; the 2022 Catalogue adjusted the areas that are increasingly integrated and intersected in the development of the service outsourcing industry, e.g., merging "cloud computing services", "artificial intelligence services" and "big data services" into "new generation information technology development and application services".

Relevant enterprises are advised to make reference to the 2022 Catalogue for greater details so as to fully enjoy the relevant preference⁷ offered.

⁷ According to Caishui [2017] No.79 ("Circular 67", i.e., Notice regarding expanding the preferential Corporate Income Tax (CIT) policies related to Technologically Advanced Service Companies (TASCs) on a nationwide basis), in order to support the development of service outsourcing industry, recognized TASCs are entitled to a reduced CIT rate of 15%.

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

<https://nns.wanning.gov.cn/ztfwwbz/t5253089.html>

You can click this link to access the full content of 2018 Catalogue:

<http://fms.mofcom.gov.cn/article/a/af/201901/20190102825374.shtml>

You can click this link to access the full content of Circular 67:

http://www.gov.cn/zhengce/content/2015-01/16/content_9402.htm

You can click this link to access the full content of Circular 79:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c8133464/content.html>

► **Notice issued by Shenzhen Local Financial Administration and Supervision Bureau regarding public opinions consultation on the "Opinions on Accelerating the Construction of International Wealth Management Center (Discussion Draft)"**

Synopsis

To further promote the high-quality development of the financial industry in Shenzhen, the Shenzhen Local Financial Administration and Supervision Bureau proposed the "Opinions on Accelerating the Construction of International Wealth Management Center (Discussion Draft)" (hereinafter referred to as the "Discussion Draft") and released to seek public opinions on 11 August 2022.

Key points mentioned in the Discussion Draft are as follows:

Development objective

The development objective is to build a modern wealth management ecosystem with its scale, innovation ability, openness, influence and competitiveness reaching the international advanced standards.

Policy support

Promote a cluster of wealth management institutions and improve the wealth management industry through supporting banking, securities, insurance, funds, trusts, futures institutions and subsidiaries to settle in Shenzhen to develop wealth management businesses.

Innovation and digitization

Encourage the innovative development of fund advisory business, pension finance and trust business, and support the digital transformation of wealth management institutions.

Enhance opening-up

Deepen the pilot of "Cross-border Wealth Management Connect Program", support Hong Kong wealth management institutions to expand the mainland market and encourage Shenzhen wealth management institutions to go global.

Optimize the business environment of wealth management

Establish a fund for the wealth management development industry in the form of a cooperation between the government and social capital and encourage the establishment of angel funds and venture capital funds that support the development of small and medium-sized wealth management institutions.

Interested parties are encouraged to express opinions before 6 pm, 9 September 2022 by sending emails to jrhzc@shenzhen.com.cn.

You can click this link to access the full content of the Discussion Draft:
<http://jr.sz.gov.cn/hdjlpt/yjzj/answer/21931>

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 (41st Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (57th Batch)", etc. (MIIT PN [2022] No. 18)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_7ffcdabfec94d588b8cee34be04fdf5.html
- ▶ **Public notice (PN) regarding promoting the reform of "Separating Permits from Business Licenses" in the qualification review of certification agencies nationwide (SAMR PN [2022] No. 28)**
http://www.cnca.gov.cn/zw/gg/zjgg/202208/t20220808_66227.shtml
- ▶ **Approval on implementing certain electronic certificates in Chongqing (Jianbantinghan [2022] No. 279)**
https://www.mohurd.gov.cn/gongkai/fdzdqknr/zfhcxjsbwj/202208/20220808_767494.html
- ▶ **Notice regarding strengthening the preliminary work of land use approval and actively promoting the construction of infrastructure projects (Ziranzifa [2022] No. 130)**
http://www.gov.cn/zhengce/zhengceku/2022-08/10/content_5704796.htm

- ▶ **Notice regarding the “Guiding Opinions on Accelerating the Scenario Innovation and Promoting the High-quality Development of Economy with the High-level Application of Artificial Intelligence” (Guokefagui [2022] No. 199)**
https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fgzc/gfxwj/gfxwj2022/202208/t20220812_181851.html
- ▶ **Notice regarding public opinions consultation on the “PN Regarding Matters Related to the Operation of the China Securities Regulatory Commission 12386 Service Platform (Discussion Draft)”**
<http://www.csrc.gov.cn/csrc/c101981/c5290551/content.shtml>
- ▶ **PN regarding clarifying matters related to the record-filing administration of inland waterways transport enterprises and their vessels (GAC PN [2022] No. 73)**
<http://www.customs.gov.cn/customs/302249/2480148/4508086/index.html>



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