

Issue No. 2022034

9 Sep 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 issued by Beijing Municipal Tax Service, State Taxation Administration (STA) regarding the commencement of the national tax survey for 2021 tax year
- ▶ Notice issued by Shanghai Yangpu District Tax Service, STA regarding the commencement of the 2022 national tax survey
- ▶ Notice issued by Tianjin Economic and Technological Development Zone Tax Service, STA regarding the 2022 national tax survey

Synopsis

As a usual practice, the Ministry of Finance (MOF) and STA have instructed the local tax authorities to conduct the annual national tax survey (hereinafter referred to as the "survey"), which serves as a basis for the study of taxpayers' business status, and the reinforcement of administrative services relating to finance and tax.

The survey shall be completed online by selected taxpayers. Selected taxpayers should provide tax-related data for the year 2021 through completing various forms in the official weblink, the forms include information form, inquiry form, enterprise' data form and goods, labor, services related data form.

Many local tax services under the STA, such as those in Beijing, Shanghai and Tianjin have already released public notices ("PNs") to announce the lists of selected taxpayers, deadlines, and detailed survey requirements.

Taxpayers are advised to pay attention to these local circulars for more details. It is important to note that, although the tax survey aims at collecting financial data rather than implementing tax investigations, taxpayers should still be cautious in completing the survey as tax authorities may assess any potential issues behind the data submitted. In this respect, an internal health check by in-house resources or tax professionals and follow-on rectifications of issues identified may be helpful.

You can click this link to access the full content of the PN released by Beijing Municipal Tax Service, STA:
<http://beijing.chinatax.gov.cn/bjswj/c104182/202208/e35259386da549028c257b757dde71e5.shtml>

You can click this link to access the full content of the PN released by Shanghai Yangpu District Tax Service, STA:
<http://shanghai.chinatax.gov.cn/yptax/tzgg/qtgg/202209/t464055.html>

You can click this link to access the full content of the PN released by Tianjin Economic and Technological Development Zone Tax Service, STA:
<http://tianjin.chinatax.gov.cn/11297000000/0100/010003/p20220901141444658.shtml>

Business circulars

- Policy measures for supporting the elderly care and childcare services sector (Fagaicaijin [2022] No. 1356)

Synopsis

To support the development of elderly care and childcare services sector, on 29 August 2022, the National Development and Reform Commission (NDRC) and several ministries jointly released Fagaicaijin [2022] No. 1356 (hereinafter referred to as "Circular 1356"), announcing a batch of policy measures for supporting the elderly care and childcare services sector.

Key features of Circular 1356 are as follows:

Rent reduction and exemption

- Micro, small and medium-sized enterprises and self-employed industrial and commercial households in the elderly care and childcare services sector (hereinafter referred to as the "elderly care and childcare entities") that rent state-owned properties shall be exempted from rent until the end of 2022.
- Encourage local governments to take effective measures to support lessors of non-state-owned properties to reduce or exempt rent.
- Encourage local governments to provide community public service facilities and state-owned properties to professional elderly care and childcare entities to operate for free or at low rents.

Tax reduction and exemption

- In 2022, all local governments shall grant 50% reduction on the "six taxes and two fees" (i.e., Resource Tax, City Construction Tax, Real Estate Tax, Urban Land Use Tax, Stamp Duty (excluding those for security trading), Farmland Occupation Tax, Education Surcharge and Local Education Surcharge) to qualified elderly care and childcare entities.
- Elderly care and childcare entities may enjoy the preferential tax policies¹ according to MOF/STA/NDRC/MCA/MOFCOM/NHC PN [2019] No. 76 ("PN 76", i.e., PN regarding preferential tax policies for the community and family services industries including elderly care, childcare, housekeeping services, etc.)

- Taxpayers in the elderly care and childcare services sector may apply for a full refund of incremental input Value-added Tax (VAT) credits brought forward from previous periods (hereinafter referred to as “input VAT credits”) on a monthly basis and a one-off refund of accumulated input VAT credits.

Social security support

- Extend the phased implementation of the reduced rates of unemployment insurance and work-related injury insurance.
- Elderly care and childcare entities in difficulty due to the epidemic can apply for phased deferral of pension, unemployment insurance and work-related injury insurance contributions.
- For elderly care and childcare entities that sustain their employments, implement the inclusive policy on returning their unemployment insurance premiums paid.

Financial support

- Carry out the pilot program of special refinancing for inclusive elderly care, and support financial institutions to provide loans to inclusive elderly care entities through the network of financing credit service platforms.
- Encourage local governments to provide loan interest subsidies to elderly care and childcare entities.
- Support qualified elderly care entities to issue corporate credit bonds.

Epidemic prevention support

Local governments at all levels should give preference to elderly care and childcare entities in the deployment of epidemic prevention and control resources and supports, such as material allocation, transportation and quarantine, medical treatment, and provide technical support and necessary guarantees.

Elderly care and childcare entities are advised to read Circular 1356 for details and fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

¹ According to PN 76, elderly care and childcare entities are entitled to the following preferential tax policies: income derived from providing elderly care, childcare and housekeeping services is exempt from VAT; 10% reduction of taxable income for Corporate Income Tax purposes; Deed Tax is exempt for transfers of properties and land for providing elderly care, childcare and housekeeping services. Properties and land owned, rented or obtained for free by entities involved in the above-mentioned services are exempt from Real Estate Tax and Urban Land Use Tax.

You can click this link to access the full content of Circular 1356:

https://www.ndrc.gov.cn/xwdt/tzgg/202208/t20220829_1334211.html?code=&state=123

You can click this link to access the full content of PN 76:

<http://www.chinatax.gov.cn/n810341/n810755/c4473532/content.html>

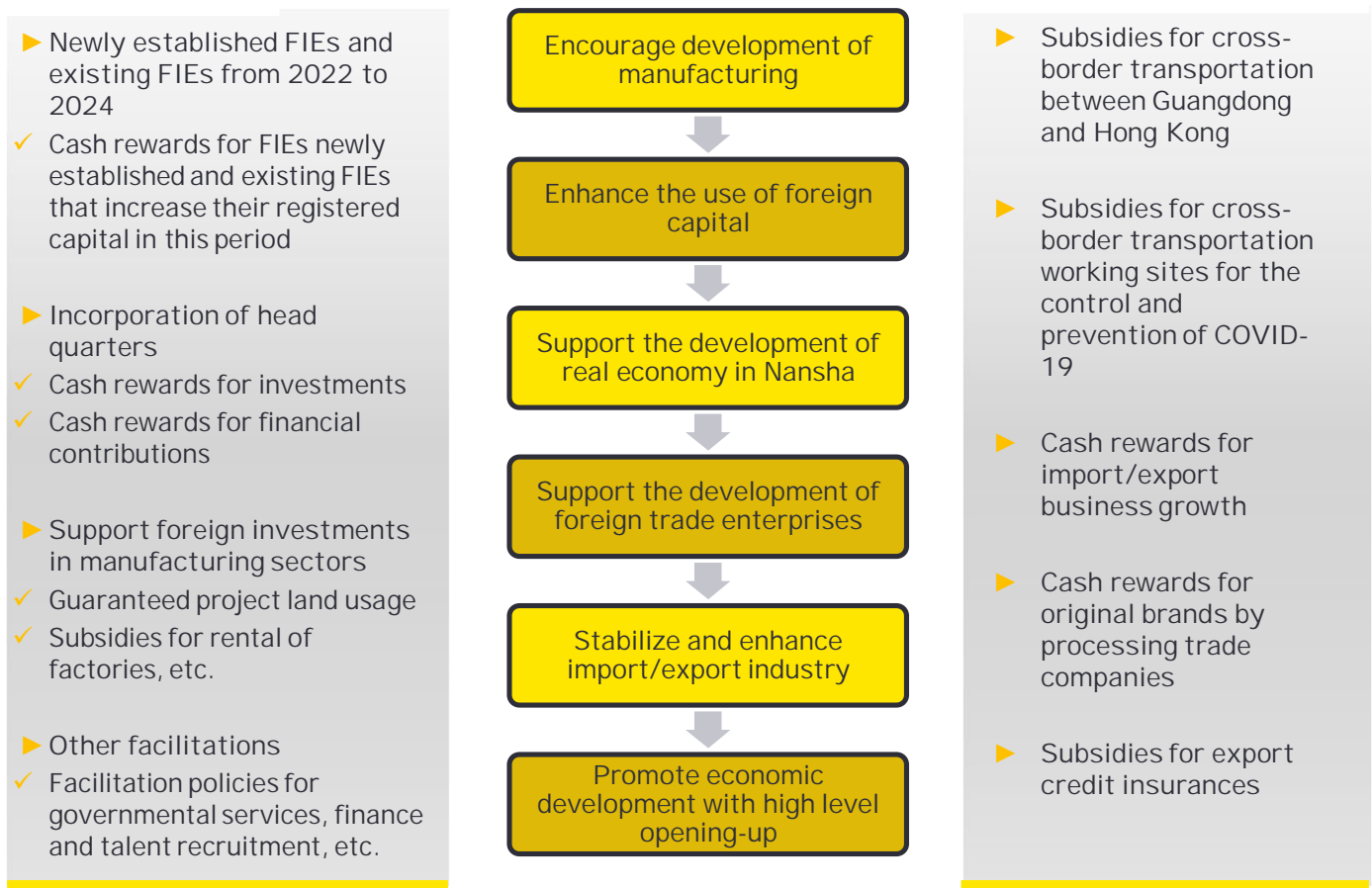
- Support measures of Guangzhou Nansha Development Zone for promoting the development of foreign investment enterprises (Suinankaiguanbangui [2022] No. 4)
- 2022 policy measures of Guangzhou Nansha for stabilizing foreign trade (Suinankaiguanbangui [2022] No. 5)

Synopsis

Further to the overall plan 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 “Plan”) released via Guofa [2022] No. 13 and the recently announced preferential Individual Income Tax (IIT) policies for Nansha district in Guangzhou (hereinafter referred to as “Nansha”), the Administrative Committee of Nansha Development Zone released Suinankaiguanbangui [2022] No. 4 (“Circular 4”) and Suinankaiguanbangui [2022] No. 5 (“Circular 5”) respectively on 23 August 2022 and 25 August 2022 to further promote the development of foreign investment enterprises (FIEs) and foreign trade sectors in Nansha.

Key features of Circulars 4 and 5 are as follows:

Measures to promote FIE investments and stabilize foreign trade



Investors and enterprises that intend to explore their business opportunities or further expand their investments in Nansha are encouraged to read the relevant preferential tax policies and financial subsidies policies for details and properly initiate a discussion with the relevant authorities. If in doubt, seeking support from professionals would be very helpful.

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 4:

https://www.gz.gov.cn/gfxwj/qjgfxwj/nsq/qfb/content/post_8535530.html

You can click this link to access the full content of Circular 5:

http://www.gzns.gov.cn/gznsqfb/gkmlpt/content/8/8535/post_8535404.html#13788

- ▶ Notice regarding public opinions consultation on the “Administrative Measures for the Recognition and Registration of Enterprises’ Medium and Long-term Foreign Debt (Discussion Draft)”

Synopsis

To further improve the administration of enterprises’ medium and long-term foreign debt and promote the healthy and orderly development of enterprises’ overseas financing, on 26 August 2022, the NDRC released the “Administrative Measures for the Recognition and Registration of Enterprises’ Medium and Long-term Foreign Debt (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) to seek public opinions.

The Discussion Draft consists of six chapters and 37 articles in total, including the General Provisions, Scale and Purpose of Foreign Debt, Review and Registration of Foreign Debt, Foreign Debt Risk Management and Interim- and Post-event Supervision, Legal Liability, and Supplementary Provisions. Among them, some key points are as follows:

Scope of administration

According to the practice, domestic enterprises borrowing foreign debt through indirect channels (e.g., issuing bonds or borrowing commercial loans overseas in the name of enterprises registered overseas) will be included in the scope of administration.

Guide funds of foreign debt to effectively serve real economy

Introduce a positive orientation and a negative list for the utilization of foreign debt. Focus on guiding enterprises to give priority to the utilization of funds raised to coordinate with major national strategies and support the development of real economy.

Regulate the review and registration procedures and improve transparency and convenience

Further clarify the requirements of application time, entity, approach, materials, etc. for review and registration, as well as the application and handling of the change of the "Review and Registration Certificate".

Improve interim- and post-event supervision

- Cooperate with relevant departments and local development and reform authorities to establish a collaborative supervision mechanism, and carry out supervision and administration through online monitoring, enquiry, random inspections, etc.
- Improve the reporting system of enterprise foreign debt information and major issues.
- Clarify the punishment on enterprises and relevant intermediaries for violating the rules and build a multi-level market restraint mechanism.

Guide enterprises to strengthen risk management on foreign debt

Introduce guiding opinions and requirements for enterprises to reasonably control the scale of foreign debt, strengthen the awareness of foreign debt risk, and strengthen respective risk management. Guide enterprises to make reasonable and prudent decisions and formulate risk prevention measures.

Interested parties are encouraged to express opinions on or before 26 September 2022 by logging onto the official website of the NDRC (www.ndrc.gov.cn) or by sending emails to yangrj@ndrc.gov.cn.

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

<https://yyglxxbsgw.ndrc.gov.cn/htmls/article/article.html?articleId=2c97d16b-82cf3be1-0182-d90804aa-0010#iframeHeight=806>

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

- ▶ Action Plan on the Green and Low-carbon Development of Telecommunications Industry (2022-2025) (Gongxinbuliantongxin [2022] No. 103)
http://www.gov.cn/zhengce/zhengceku/2022-08/26/content_5706914.htm
- ▶ Cooperation Mechanism of the Yangtze River Delta Technology Innovation Community for Jointly Breaking Through on Key Technologies (Guokefagui [2022] No. 201)
https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgdgknr/qtwj/qtwj2022/202208/t20220826_182144.html

- ▶ Overall Plan of Chongqing on the Construction of a Green Finance Reform and Innovation Pilot Zone (Yinfa [2022] No. 180)
http://www.gov.cn/zhengce/zhengceku/2022-08/26/content_5706982.htm
- ▶ Action plan on accelerating the green, low-carbon and innovative development of electric equipment (Gongxinbulianzhongzhuang [2022] No. 105)
https://www.miit.gov.cn/jgsj/zbes/wjfb/art/2022/art_8ae56b9599f64796a050d8480b9142d9.html
- ▶ Notice regarding implementing special procedures for overseas securities professionals to work in Tianjin, Jiangsu, Shandong, Yunnan Pilot Free Trade Zones and Chengdu-Chongqing economic circle (Zhongzhengxiefa [2022] No. 223)
https://www.sac.net.cn/tzgg/202208/t20220826_168911.html
- ▶ Notice regarding the public opinions consultation on the “Administrative Measures for Related-party Transactions of Financial Holding Companies (Discussion Draft)”
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/4646582/index.html>
- ▶ Notice regarding temporarily adjusting the collaborative mechanism of price subsidies to support people in difficulty (Fagaijiage [2022] No. 1340)
https://www.ndrc.gov.cn/xwdt/tzgg/202208/t20220831_1334806.html?code=&state=123
- ▶ Measures for the evaluation of the first set of key technology equipment in the energy field (Guonengfakeji [2022] No. 81)
http://www.nea.gov.cn/2022-08/30/c_1310657329.htm
- ▶ PN regarding adjusting the catalog of imported and exported commodities subject to mandatory inspections (GAC PN [2022] No. 79)
<http://www.customs.gov.cn/customs/302249/302266/302267/4548521/index.html>
- ▶ PN regarding authorizing competent customs to conduct quarantine and approval of certain animals, plants and their products for entry (GAC PN [2022] No. 83)
<http://www.customs.gov.cn/customs/302249/2480148/4549975/index.html>



Contact us

For more information, please contact your usual EY contact or one of the following EY's China tax leaders.

Greater China Tax Leader

Vickie Tan

+86 21 2228 2648

Vickie.Tan@cn.ey.com

Our tax leaders by service segment

Andrew Choy

International Tax and Transaction Services

+86 10 5815 3230

Andrew.Choy@cn.ey.com

Becky Lai

Tax Policy

+852 2629 3188

Becky.Lai@hk.ey.com

Alan Lan

Global Compliance and Reporting

+86 10 5815 3389

Alan.Lan@cn.ey.com

Jesse Lv

ITTS - Transaction Tax

+86 21 2228 2798

Jesse.Lv@cn.ey.com

Travis Qiu

ITTS - Transfer Pricing

+86 21 2228 2941

Travis.Qiu@cn.ey.com

Chuan Shi

Tax Technology and Transformation

+86 21 2228 4306

Chuan.Shi@cn.ey.com

Carrie Tang

Business Tax Services

+86 21 2228 2116

Carrie.Tang@cn.ey.com

Bryan Tang

Indirect Tax - Global Trade

+86 21 2228 2294

Bryan.Tang@cn.ey.com

Paul Wen

People Advisory Services

+852 2629 3876

Paul.Wen@hk.ey.com

Kevin Zhou

Indirect Tax - VAT

+86 21 2228 2178

Kevin.Zhou@cn.ey.com

Our tax leaders by service areas

Andrew Choy (China North)

+86 10 5815 3230

Andrew.Choy@cn.ey.com

Ho Sing Mak (China South)

+86 755 2502 8289

Ho-Sing.Mak@cn.ey.com

Wilson Cheng (Hong Kong

SAR/Macau SAR)

+852 2846 9066

Wilson.Cheng@hk.ey.com

Heidi Liu (Taiwan)

+886 2 2757 8888

Heidi.Liu@tw.ey.com

Author – China Tax Center

Jane Hui

+852 2629 3836

Jane.Hui@hk.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2022 Ernst & Young, China.
All Rights Reserved.

APAC no. 03015415
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

Follow us on WeChat
Scan the QR code and stay up-to-date with the latest EY news.

