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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.

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

- ▶ **Provisional Administrative Measures on the List of High-end Talents and Urgently needed Talents Who are Eligible for Individual Income Tax (IIT) Preferential Policies in Hainan Free Trade Port (Qiongfufu [2022] No. 31)**

Synopsis

According to the Overall Plan for the Construction of Hainan Free Trade Port (FTP) (hereinafter referred to as the "Plan") and Caishui [2020] No. 32 ("Circular 32", i.e., Notice regarding the IIT policies for high-end talents and urgently needed talents in Hainan FTP), for high-end or urgently needed talents that work in Hainan FTP, an IIT exemption shall be applicable to cover the portion of their IIT burden exceeding 15% (hereinafter referred to as the "IIT exemption") from 1 January 2020 to 31 December 2024. Such exemption is to be implemented on a pay-first-refund-later basis.

To implement the above-mentioned IIT preferential treatment, on 26 August 2020, the Hainan Provincial People's Government announced the "Provisional Administrative Measures on the List of High-end Talents and Urgently needed Talents Who are Eligible for IIT Preferential Policies in Hainan FTP" (hereinafter referred to as the "2020 Provisional Measures") via Qiongfufu [2020] No. 41 to set out the relevant criteria of eligible individuals, scope of qualifying individuals and detailed application procedures, etc.

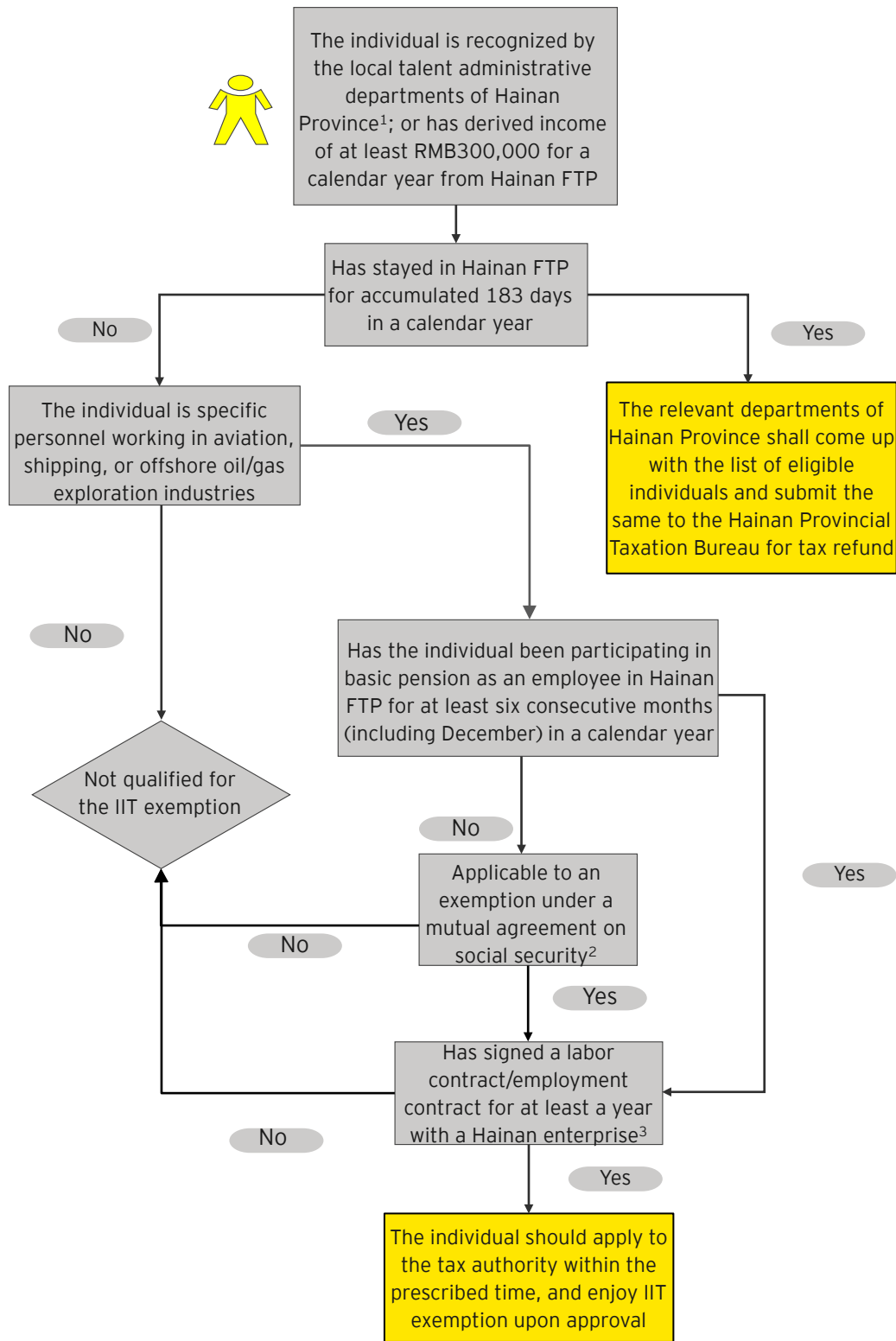
On 15 September 2022, the Hainan Provincial People's Government released the "Provisional Administrative Measures on the List of High-end Talents and Urgently needed Talents Who are Eligible for IIT preferential Policies in Hainan FTP" (hereinafter referred to as the "2022 Provisional Measures") via Qiongfufu [2022] No. 31. The 2022 Provisional Measures shall become effective on 1 January 2023 and replace the prevailing 2020 Provisional Measures.



Key features of the 2022 Provisional Measures include:

Criteria of eligible individuals

For your easy reference, we illustrated the criteria for the IIT exemption in the flow chart below:



As illustrated above, it is important to note that the criteria for eligible individuals under the 2022 Provisional Measures have been revised from “participating in social insurance scheme in Hainan FTP for at least six consecutive months in a calendar year” to “staying in Hainan FTP for accumulated 183 days in a calendar year”. However, it is uncertain how the 183 days criteria shall be interpreted or counted in implementation.

Besides, for specific personnel who cannot stay in Hainan FTP for accumulated 183 days in a calendar year due to the nature of their occupations, the 2022 Provisional Measures stipulated that this type of personnel may also enjoy the IIT exemption provided that:

- ▶ The individual participates in basic pension as an employee in Hainan FTP for at least six consecutive months (including December) in a year (except for those expatriates applicable to mutual exemption); and
- ▶ The individual has signed a labor contract/employment contract for at least a year with a Hainan enterprise.

Scope of eligible individuals

According to the official interpretation on the 2022 Provisional Measures, by definition, the eligible individual should meet the essential criteria as follows:

- ▶ The individual is recognized by the local talent administrative departments of Hainan Province; or
- ▶ The individual has derived income of at least RMB300,000 for a calendar year from Hainan FTP (and the amount shall be subject to dynamic adjustments in the future).

Obviously, this scope in Hainan FTP is by far the broadest comparing to similar regional IIT preferential treatments provided in the Greater Bay Area, etc. Firstly, these individuals can be both domestic citizens and expatriates. Secondly, the individuals do not need to be recognized by the talent administrative departments or covered in the list of urgently required talents as long as they derive income of at least RMB300,000 per annum from Hainan FTP.

Effectiveness

The 2022 Provisional Measures shall become effective on 1 January 2023 and applies to the annual IIT filing for 2023 which is to be completed in 2024.

Our People Advisory Service team issued a WeChat news article (in Chinese) on 21 September 2022 to discuss the 2022 Provisional Measures. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the WeChat news article or click the weblink below.

¹ An individual shall not be applicable to IIT preferential treatment if the individual is subject to joint punishment for acts of bad faith.

² Mutual agreements on social security refer to Agreements on Social Security between the Government of the People's Republic of China (PRC) and the Governments of other jurisdictions which aim to exempt nationals of the PRC/other jurisdictions working in each other jurisdictions from social insurance contributions to prevent any double social insurance burden.

³ An individual has signed a labor contract/employment contract for at least a year with an enterprise that registered and has substantial operations in Hainan FTP or other equivalent documents in kind can be provided.

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

<https://www.hainan.gov.cn/hainan/szfwj/202209/0ffa9d3d0b2640909d6a5ad8e51efaba.shtml>

You can click this link to access the full content of the WeChat news article:

<https://mp.weixin.qq.com/s/qC7gNUhyo5UnkwQXj-QaTQ>

You can click this link to access the full content of the 2020 Provisional Measures:

<https://mp.weixin.qq.com/s/-z1WOWfsNxjyVbdtG7jEw>

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

http://www.gov.cn/zhengce/2020-06/01/content_5516608.htm

You can click this link to access the full content of Circular 32:

http://szs.mof.gov.cn/zhengcefabu/202006/t20200630_3540853.htm

► **Public notice (PN) regarding matters related to extending the deferral of certain taxes and fees payments for medium, small and micro-sized manufacturing enterprises (STA/MOF PN [2022] No. 17)**

Synopsis

Previously, as prescribed in STA/MOF PN [2022] No. 2 ("PN 2", i.e., PN regarding matters related to continuously implementing the deferred payment of certain taxes and fees for medium, small and micro-sized enterprises in the manufacturing industry), qualifying medium, small and micro-sized manufacturing enterprises⁴ are applicable to 50% or 100% deferral of certain taxes and fees payments⁵ for the fourth quarter of 2021 and first quarter and second quarter of 2022.

To further support the development of medium, small and micro-sized manufacturing enterprises, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2022] No. 17 ("PN 17") on 14 September 2022, to extend the deferral of certain taxes and fees payments for qualifying medium, small and micro-sized manufacturing enterprises.

For your easy reference, we summarized the contents of PN 2 and PN 17 in the table below:

Tax period			Original filing period	Filing period extended under PN 2	Filing period further extended under PN 17
Quarterly tax payment	2021	The fourth quarter	January 2022	October 2022	February 2023
	2022	The first quarter	April 2022	October 2022	February 2023
		The second quarter	July 2022	January 2023	May 2023
Monthly tax payment	2021	November	December 2021	September 2022	January 2023
		December	January 2022	October 2022	February 2023
	2022	February	March 2022	September 2022	January 2023
		March	April 2022	October 2022	February 2023
		April	May 2022	November 2022	March 2023
		May	June 2022	December 2022	April 2023
		June	July 2022	January 2023	May 2023

PN 17 became effective on 1 September 2022. We have issued a WeChat news article (in Chinese) on 20 September 2022 to discuss PN 17 in greater detail. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the WeChat news article or click the weblink below.

⁴ Small and micro-sized manufacturing enterprises refer to enterprises engaging in manufacturing with annual revenue less than RMB20 million, while medium manufacturing enterprises refer to enterprises engaging in manufacturing with annual revenue less than RMB400 million but not less than RMB20 million. Qualifying enterprises also include self-employed industrial and commercial households, sole proprietorship enterprises, and partnership enterprises.

⁵ These taxes and fees payments refer to Corporate Income Tax, Individual Income Tax (except for those withheld according to the prevailing rules), domestic Value-added Tax, domestic Consumption Tax (excluding those to be collected by Customs offices under the import/export level) and the corresponding City Construction Tax, Education Surcharge and Local Education Surcharge. Taxes paid by taxpayers for tax invoices issued by tax authorities on the behalf of taxpayers are not included.

You can click this link to access the full content of PN 17:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5181400/content.html>

You can click this link to access the full content of the WeChat news article:

<https://mp.weixin.qq.com/s/awrLy3VLJwQz5huJY8deOQ>

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5173058/content.html>

Business circular

► **Opinions on further optimizing the business environment and reducing the government-imposed transaction costs of market entities (Guobanfa [2022] No. 30)**

Synopsis

To further optimize the business environment and reduce the government-imposed transaction costs of market entities, the State Council expressed certain opinions via Guobanfa [2022] No. 30 ("Circular 30") on 7 September 2022.

Key measures introduced in Circular 30 are as follows:

- Fully implement the negative-list mechanism for the administration of market access. Remove explicit and implicit barriers with market access restrictions and establish a long-term screening mechanism.
- Regulate administrative licensing and administrative record filing. Promote the reduction of administrative licensing procedures, materials, elapsed time and costs.
- Regulate government procurement and bidding. Urge relevant parties, e.g., bidder, bidding agency and public resource trading center, to return deposits in time.
- Constantly facilitate the registration of market entities. Promote the online handling of registration and change of foreign-funded enterprises. Simplify the procedures for taxes and fees payments of cross-regional relocated enterprises.
- Strictly regulate government charges and fines. Strictly implement the list of administrative fees and governmental funds and control new fees in accordance with law and regulations.
- Regulate financial service charges. Crack down on banks' failure to disclose service charge information, cost pass-through, and compulsory bundle sales of insurance or wealth management products in accordance with regulations.
- Clean up and regulate the charges of industry associations and chambers of commerce. Further promote industry associations and chambers of commerce at all levels to publicize charges information.
- Comprehensively improve online and offline service capabilities. Promote the application of electronic business licenses, electronic contracts and electronic signatures, and promote the trans-provincial handling of more high-frequency matters.
- Constantly optimize approval services for investment and construction projects. Local governments are encouraged to pilot the commitment mechanism according to their responsibilities and authorities to improve the effectiveness of approval.
- Optimize cross-border trade services. Support regions to build one-stop service platforms for cross-border e-commerce, and provide enterprises with preferential policy declaration, logistics information tracking, dispute resolution, etc.
- Effectively improve tax payment services. Further optimize procedures for tax refunds, simplify the review procedures, and strengthen risk prevention and control for tax refunds.

- ▶ Implement accurate and effective supervision. Promote the sharing and mutual recognition of supervision information, and accelerate the establishment and improvement of a credit rating and classification regulatory system in the fields of market regulation, taxation, import and export, etc.
- ▶ Constantly strengthen the protection of intellectual property rights. Timely clean up illegal use of trademarks and malicious registration of trademarks.

It is expected that relevant government authorities shall release circulars to further address the measures for implementation. Please stay tuned.

You can click this link to access the full content of Circular 30:

http://www.gov.cn/zhengce/content/2022-09/15/content_5709962.htm

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

- ▶ **Regulations on the Registration and Settlement of Domestic Securities Investment by Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) (CSRC PN [2022] No. 44)**
<http://www.csrc.gov.cn/csrc/c101954/c5642084/content.shtml>
- ▶ **Guiding opinions on enhancing the classified supervision of medical devices production and operation (Yaojianzongxieguan [2022] No. 78)**
http://www.gov.cn/zhengce/zhengceku/2022-09/10/content_5709294.htm
- ▶ **Notice regarding improving the administration of record-filing for used-car market entities and registration of vehicle transactions (Shangbanxiaofeihan [2022] No. 239)**
<http://www.mofcom.gov.cn/article/zwgk/gkgztz/202209/20220903347071.shtml>
- ▶ **Notice regarding the “Implementation Plan on Supporting Guizhou to Accelerate the Improvement of Fiscal Governance Capabilities and Explore a New Way for High-quality Development” (Caiyu [2022] No. 114)**
http://yss.mof.gov.cn/zhengceguizhang/202209/t20220909_3839624.htm
- ▶ **Notice regarding the public opinions consultation on the “Regulations of the National Energy Administration on Administrative Penalty Procedures (Discussion Draft)” and “Standards of the National Energy Administration on Discretion for Administrative Penalties (Discussion Draft)”**
http://www.nea.gov.cn/2022-09/09/c_1310660869.htm
- ▶ **Provisional measures for promoting the characteristic industry cluster development of small and medium-sized enterprises (Gongxinbuqiye [2022] No. 119)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_2e39162e00e346ebb7611da191f5e36e.html
- ▶ **Regulations for investigation and handling of scientific research integrity cases (Guokefajian [2022] No. 221)**
https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/fgzc/gfxwj/gfxwj2022/202209/t20220907_182313.html
- ▶ **Notice regarding the application of the 2022 first set of key technology equipment in the energy field**
http://www.nea.gov.cn/2022-09/14/c_1310662756.htm
- ▶ **Notice regarding establishing a key commercial logistics enterprises contact system**
<http://www.mofcom.gov.cn/article/gztz/202209/20220903348304.shtml>

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