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# China Tax Center

# China Tax &

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# 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

- ▶ **Public notice (PN) regarding preferential tax policies for enterprises' investment in basic research (MOF/STA PN [2022] No. 32)**

### Synopsis

To further encourage technology innovation and development of basic research, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2022] No. 32 ("PN 32") on 30 September 2022.

According to PN 32, from 1 January 2022, enterprises may claim a 200% super deduction on their contribution to qualifying not-for-profit scientific research institutions, universities, and governmental natural science funds for conducting basic research within the territory of the People's Republic of China (PRC).

Key features of PN 32 are summarized in the table below:

Taxpayers involved	Relevant Corporate Income Tax (CIT) treatments
An enterprise that makes the contribution	▶ May claim a 200% super deduction on the contribution for CIT purpose.
A qualifying not-for-profit scientific research institution, university, or governmental natural science fund	▶ Funds received from enterprises/individuals/other organizations for basic research are exempt from CIT.

PN 32 specifies the definitions of qualifying scientific research institutions, universities, and governmental natural science funds as well as the scope of basic research.

It is important to note that the above-mentioned basic research does not include research carried out abroad, nor does it include research in social sciences, arts, or humanities.

The relevant enterprises, not-for-profit scientific research institutions, universities or governmental natural science funds should maintain the relevant supporting documents for future reference, such as contracts and receipts, that indicate the contributors, the parties that receive the contributions, and contribution amounts, etc.

The above preferential CIT treatments can be claimed during the provisional CIT filings and annual CIT filing. The relevant parties are advised to read PN 32 for more details and leverage the preference offered. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 32:

[http://www.gov.cn/zhengce/zhengceku/2022-10/11/content\\_5717700.htm](http://www.gov.cn/zhengce/zhengceku/2022-10/11/content_5717700.htm)

▶ **PN regarding tax policies for disposal of non-performing assets of banking financial institutions and financial asset management companies (MOF/STA PN [2022] No. 31)**

### **Synopsis**

To support banking financial institutions<sup>1</sup> and financial asset management companies in their disposal of non-performing assets and effectively prevent financial risks, on 30 September 2022, the MOF and STA jointly issued MOF/STA PN [2022] No. 31 ("PN 31") to clarify certain tax policies for banking financial institutions and financial asset management companies on their non-performing assets disposals.

Key features of PN 31 are as follows:

- ▶ For banking financial institutions and financial asset management companies that are general Value-added Tax (VAT) taxpayers, when calculating and paying VAT for disposing pledged immovable properties<sup>2</sup>, the sales amount shall be determined by deducting the amount of debt offset by the sales price and other charges, and 9% VAT rate shall apply. The sales amount to be stated in the Special VAT invoices should be the amount after netting off the amount of debt backed by the pledged immovable properties.
- ▶ Contracts, title transfer documents and business account books related to the pledged assets<sup>2</sup> receipt and the disposal of banking financial institutions and financial asset management companies are exempt from Stamp Duty (SD). Other parties of these documents shall be liable to SD.
- ▶ Banking financial institutions and financial asset management companies are exempt from Deed Tax (DT) for the receipt of pledged assets.
- ▶ Local governments can reduce or exempt Real Estate Tax (RET) and Urban Land Use Tax (ULUT) on the pledged assets held by banking financial institutions and financial asset management companies based on the actual situation.

PN 31 became effective from 1 August 2022 through 31 July 2023. Relevant taxpayers are advised to read PN 31 for details. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> The “banking financial institution” herein refers to commercial banks, rural cooperative banks, rural credit cooperatives, village banks, rural mutual funds cooperatives and policy banks established within the territory of the PRC.

<sup>2</sup> The “pledged immovable property” and “pledged asset” herein refer to those pledged immovable properties and assets that are adjudicated by people’s courts or professional arbitrators.

You can click this link to access the full contents of PN 31:

<http://www.chinatax.gov.cn/chinatax/n359/c5181855/content.html>

► **PN regarding tax collection and administration matters related to the Individual Income Tax (IIT) policy for supporting residents' housing exchanges and purchases (STA PN [2022] No. 21)**

### **Synopsis**

Following the issuance of MOF/STA PN [2022] No. 30 (“PN 30”, i.e., PN regarding IIT policies related to supporting residents’ housing exchanges and purchases), the STA issued STA PN [2022] No. 21 (“PN 21”) on 30 September 2022 to further clarify the tax collection and administration matters related to the IIT policy for supporting residents’ housing exchanges and purchases.

In addition to the refund calculation rules, some other key points mentioned in PN 21 are as follows:

- The time of selling the current residence shall be the time when the taxpayer pays IIT on the sale of the residence. Where the newly purchased residence is a second-hand property, the time of purchasing the residence shall be the time when the taxpayer pays DT on the purchase of the new residence, or the registration time specified in the real estate ownership certificate. Where the newly purchased residence is a new property, the time of purchasing the residence shall be the time when the housing transaction contract is filed with housing and urban-rural development authorities.
- Taxpayers who apply for the IIT refund policy for residents’ housing exchanges and purchases should pay IIT on the sale of the current residence and complete the registration of title change. Where the newly purchased residence is a second-hand property, DT needs to be paid according to law and the registration of title change shall be completed. Where the newly purchased residence is a new property, the housing transaction contract should be filed according to the requirements of the local housing and urban-rural development authority.
- Taxpayers who apply for the IIT refund should apply to the competent tax authority, fill in the “Application Form for IIT Refund for Residents’ Housing Exchanges and Purchases” (see the annex to PN 21), and submit application materials, including the identity certificate, real estate ownership certificate, housing transaction contract.
- Taxpayers should be responsible for the authenticity, reliability and integrity of the information and application materials submitted.

Relevant taxpayers are encouraged to refer to PNs 21 and 30 for details so as to leverage the preferential tax treatment offered. If in doubt, consultations with professionals are always helpful.

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

<http://www.chinatax.gov.cn/chinatax/n363/c5181880/content.html>

You can click this link to access the full contents of PN 30:

<http://www.chinatax.gov.cn/chinatax/n363/c5181858/content.html>



- ▶ **PN regarding full implementation of list-based administration of tax-related administrative licensing items (STA PN [2022] No. 19)**
- ▶ **PN regarding optimizing the tax administration for matters related to tax payment deferral of taxpayers (STA PN [2022] No. 20)**

### **Synopsis**

To deepen the reform of “Delegate Power, Streamline Administration and Optimize Government Services” and further improve the tax environment, the STA released STA PN [2022] No. 19 (“PN 19”) on 28 September 2022 regarding fully implementing list-based administration of tax-related administrative licensing items.

It is worth-noting that the 2022 list of tax-related administrative licensing items which is announced via the attachment of PN 19 contains only one item, i.e., the approval of upper limit of total amount of special VAT invoices to be issued with the VAT Anti-counterfeiting Control System and removed the five items below that previously were included in the list of tax administrative approval items announced via STA PN [2019] No. 34 (“PN 34”, i.e., PN regarding further simplifying procedures of handling tax-related administrative licensing items):

- ▶ The approval for deferral of tax payments.
- ▶ The approval for extension of filing deadline.
- ▶ The approval for alteration of fixed tax amount.
- ▶ The approval for applying CIT calculation method for provisional filing purpose other than that taxed on the actual basis.
- ▶ The approval for enterprises printing tax invoices.

Accordingly, the STA released STA PN [2022] No. 20 (“PN 20”) on the same day, to specify the simplified procedures/documentation and timeline for handling the above-mentioned tax-related items which shall no longer be subject to administrative licensing.

Both PNs 19 and 20 will become effective on 1 November 2022. Taxpayers are advised to read the abovementioned PNs for details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 19:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5181863/content.html>

You can click this link to access the full contents of PN 20:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5181867/content.html>

You can click this link to access the full contents of PN 34:

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5138274/content.html>

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

- ▶ **PN regarding the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (43rd Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (59th Batch)”, etc. (MIIT PN [2022] No. 24)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art\\_28668595a8cd4f46853f6b5b1562acda.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2022/art_28668595a8cd4f46853f6b5b1562acda.html)
- ▶ **Approval on temporarily adjusting the implementation of certain administrative regulations in Tianjin, Shanghai, Hainan and Chongqing (Guohan [2022] No. 104)**  
[http://www.gov.cn/zhengce/content/2022-10/08/content\\_5716699.htm](http://www.gov.cn/zhengce/content/2022-10/08/content_5716699.htm)

- ▶ **PN regarding implementing policies for the deferral of certain enterprise-related deposits payment (MIIT/NDRC/MOF PN [2022] No. 22)**  
[http://www.gov.cn/zhengce/zhengceku/2022-10/01/content\\_5715339.htm](http://www.gov.cn/zhengce/zhengceku/2022-10/01/content_5715339.htm)
- ▶ **Notice regarding phased deferral of project quality deposits payment (Jianbanzhidian [2022] No. 46)**  
[http://www.gov.cn/zhengce/zhengceku/2022-10/04/content\\_5715765.htm](http://www.gov.cn/zhengce/zhengceku/2022-10/04/content_5715765.htm)
- ▶ **Notice regarding phased reduction of harbor dues (Jiaoshuifa [2022] No. 104)**  
[http://www.gov.cn/zhengce/zhengceku/2022-09/30/content\\_5715131.htm](http://www.gov.cn/zhengce/zhengceku/2022-09/30/content_5715131.htm)
- ▶ **PN regarding deferral of payment of drugs and medical devices registration fees (NMPA PN [2022] No. 81)**  
[http://www.gov.cn/zhengce/zhengceku/2022-10/02/content\\_5715644.htm](http://www.gov.cn/zhengce/zhengceku/2022-10/02/content_5715644.htm)
- ▶ **Notice regarding ensuring the phased reduction and exemption of highway freight toll (Jiaogonglumingdian [2022] No. 282)**  
[http://www.gov.cn/zhengce/zhengceku/2022-09/30/content\\_5715129.htm](http://www.gov.cn/zhengce/zhengceku/2022-09/30/content_5715129.htm)
- ▶ **Guiding opinions on promoting the updated government services subject to simplified procedures (Guobanfa [2022] No. 32)**  
[http://www.gov.cn/zhengce/content/2022-10/03/content\\_5715693.htm](http://www.gov.cn/zhengce/content/2022-10/03/content_5715693.htm)
- ▶ **Opinions on expanding the scope of trans-provincial government services to further improve service efficiency (Guobanfa [2022] No. 34)**  
[http://www.gov.cn/zhengce/content/2022-10/05/content\\_5715850.htm](http://www.gov.cn/zhengce/content/2022-10/05/content_5715850.htm)
- ▶ **Notice regarding public opinions consultation on the "Implementation Rules on Fines of Administrative Penalties (Discussion Draft)"**  
<http://www.csrc.gov.cn/csrc/c101981/c5814289/content.shtml>
- ▶ **Decisions on abolishing and amending certain regulations (SAMR Order [2022] No. 61)**  
[https://gkml.samr.gov.cn/nsjg/fgs/202209/t20220930\\_350504.html](https://gkml.samr.gov.cn/nsjg/fgs/202209/t20220930_350504.html)
- ▶ **Provisional Measures on the Supervision and Administration of Quality and Safety of Food Related Products (SAMR Order [2022] No. 62)**  
[https://gkml.samr.gov.cn/nsjg/fgs/202209/t20220930\\_350531.html](https://gkml.samr.gov.cn/nsjg/fgs/202209/t20220930_350531.html)
- ▶ **Notice regarding public opinions consultation on the "Accounting Standards for Business Enterprises Interpretation No. 16 (Discussion Draft)" (Caibankuai [2022] No. 32)**  
[http://kjs.mof.gov.cn/gongzuotongzhi/202210/t20221010\\_3845022.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202210/t20221010_3845022.htm)
- ▶ **Guiding opinions on regulating the discretion of administrative penalties in market supervision and administration (Guoshijianfagui [2022] No. 2)**  
[https://gkml.samr.gov.cn/nsjg/fgs/202210/t20221010\\_350620.html](https://gkml.samr.gov.cn/nsjg/fgs/202210/t20221010_350620.html)
- ▶ **PN regarding terminating the compulsory product certification requirement for certain electronic and electrical products (SAMR PN [2022] No. 34)**  
[https://gkml.samr.gov.cn/nsjg/rzjgs/202210/t20221011\\_350670.html](https://gkml.samr.gov.cn/nsjg/rzjgs/202210/t20221011_350670.html)
- ▶ **Notice regarding further ensuring rent reduction and exemption for small and micro-sized enterprises and self-employed industrial and commercial households in the service industry in 2022 (Guozitingcaiping [2022] No. 253)**  
<http://www.sasac.gov.cn/n2588030/n16436136/c26219312/content.html>

- ▶ **Notice regarding further ensuring the record-filing and reporting of oil and gas development projects (Guonengfayouqi [2022] No. 89)**  
[http://www.nea.gov.cn/2022-10/12/c\\_1310669396.htm](http://www.nea.gov.cn/2022-10/12/c_1310669396.htm)
- ▶ **PN regarding the issuance of electronic registration certificates for drugs (NMPA PN [2022] No. 83)**  
[http://www.gov.cn/zhengce/zhengceku/2022-10/12/content\\_5717803.htm](http://www.gov.cn/zhengce/zhengceku/2022-10/12/content_5717803.htm)
- ▶ **Notice regarding promoting and replicating experience and innovative measures of the first batch of authorized matters for comprehensive pilot reform in Shenzhen (Fagaitigai [2022] No. 1579)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202210/t20221014\\_1338566.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202210/t20221014_1338566.html?code=&state=123)
- ▶ **Notice regarding enhancing focus on key audit areas, controlling audit risks and further effectively identifying financial fraud (Caikuai [2022] No. 28)**  
[http://kjs.mof.gov.cn/gongzuotongzhi/202210/t20221012\\_3845480.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202210/t20221012_3845480.htm)
- ▶ **Notice regarding illegal foreign exchange cases**  
<http://www.safe.gov.cn/safe/2022/1011/21527.html>
- ▶ **Notice regarding public opinions consultation on the “Standards of Customs of the PRC on Discretion for Administrative Penalties (I) (Discussion Draft)”**  
<http://www.customs.gov.cn/customs/302452/302329/zjz/4600961/index.html>



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