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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.

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Business circulars

- ▶ Administrative Measures for Finance Companies of Enterprise Groups (2022) (CBIRC Order [2022] No. 6)

Synopsis

To regulate the behavior of finance companies of enterprise groups (hereinafter referred to as the "finance companies"), prevent financial risks, and promote the steady operation and healthy development of finance companies, on 13 October 2022, the China Banking and Insurance Regulatory Commission (CBIRC) issued the "Administrative Measures for Finance Companies of Enterprise Groups (2022)" (hereinafter referred to as the "2022 Administrative Measures") via CBIRC Order [2022] No. 6.



The 2022 Administrative Measures consist of 62 articles in seven sections, including general provisions, establishment and changes, business scope, corporate governance, supervision and administration, risk response and exit, and supplementary provisions. Among them, some key features are as follows:

Establishment and changes

- The application for establishing a finance company should be approved by CBIRC. Each enterprise group can only set up one finance company.
- The establishment of a finance company with the status of a legal entity should comply with the provisions of the 2022 Administrative Measures in terms of business scale, registered capital, qualification of management personnel, business premises, etc.
- The enterprise group that set up a finance company shall meet the criteria as specified in the 2022 Administrative Measures.
- A foreign multinational group can set up a finance company either directly by itself or through its foreign investment companies established within the territory of Mainland China.
- Changes of a finance company shall be reported to the CBIRC or its local branches for approval.

Business scope

Finance companies are allowed to engage in local and foreign currency businesses as follows:

- Accept deposits from member entities.
- Issue loans to member entities.
- Discount bills for member entities.
- Handle funds settlement, receipt and payment for member entities.
- Provide member entities with services such as entrusted loans, bond underwriting, nonfinancial letters of guarantee, financial advisory, credit assurance and consulting services.

Supervision and administration

Indicators including capital adequacy ratio, liquidity ratio, loan balance, investment amount, net fixed assets of finance companies shall meet the conditions as specified in the 2022 Administrative Measures.

Compared with the “Administrative Measures for Finance Companies of Enterprise Groups (revised in 2006)” (hereinafter referred to as the “2006 Administrative Measures”), the 2022 Administrative Measures improved certain access criteria for the establishment of finance companies (e.g., total assets, operating income, registered capital), optimized the business scope (i.e., enhancing the main business and responsibility) and the supervision method (i.e., implementing classified supervisions) so as to achieve the goal of encouraging market entities and guiding finance companies to better serve the real economy.

The 2022 Administrative Measures shall become effective on 13 November 2022. Relevant parties are advised to read the 2022 Administrative Measures for details to observe the regulations and make appropriate planning. If in doubt, consultations with professionals are always recommended.

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

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1077306>

You can click this link to access the full content of the 2006 Administrative Measures:

http://www.gov.cn/gongbao/content/2007/content_797373.htm

- Provisional policies of the China (Shandong) Pilot Free Trade Zone Qingdao Area for supporting gene technology industry incubators

Synopsis

On 19 October 2022, the Administrative Committee of Qianwan bonded port of Qingdao of Shandong and Administrative Committee of Qingdao Area of China (Shandong) Pilot Free Trade Zone (PFTZ) jointly announced the Provisional policies of the China (Shandong) PFTZ Qingdao Area for supporting gene technology industry incubators (hereinafter referred to as the "Provisional Policies").

The issuance of the Provisional Policies aims to encourage leading enterprises engaging in gene technology industry to participate in the investment/construction and operation of incubators to hatch new high and new technology enterprises in this industry.

Accordingly, it is stipulated in the Provisional Policies that cash incentives shall be granted to eligible incubators/maker spaces:

Eligible incubators/maker spaces		Incentives
Incubators	Qualified national incubators	RMB1 million
	Qualified provincial incubators	RMB0.5 million
	Qualified municipal incubators	RMB0.3 million
National maker spaces		RMB0.3 million

The Provisional Policies also set out the relevant rules on the criteria of gene technology industry incubators, as well as the transfer, acquisition requirements, etc.

It is worthy to note that, according to the prevailing rules, eligible national/provincial technology business incubators and national maker spaces (that have completed the record filing procedures for maker spaces as required) shall be eligible for the following preferential tax policies by 31 December 2023:

- Real estates and lands used by qualifying technology business incubators and national maker spaces or rented, provided for free to their incubated targets (i.e., business start-ups) shall be exempt from Real Estate Tax (RET) and Urban Land Usage Tax (ULUT).
- Income derived by qualifying technology business incubators, and national maker spaces from provision of incubation services¹ to their incubated targets shall be exempt from Value-added Tax (VAT), provided that such income is accounted for separately from other types of income.

The Provisional Policies shall be valid from 19 October 2022 to 31 December 2024.

¹ According to Caishui [2018] No. 120 ("Circular 120", i.e., Tax policies for technology business incubators, university science parks and maker spaces), incubation services refer to agency services, operating rental services and research and development services, information technology services, as well as attestation and consultation services provided to incubated targets.

You can click this link to access the full contents of the Provisional Policies:

http://www.qingdao.gov.cn/zwgk/xxgk/bsgq/gkml/gwfg/202210/t20221019_6457001.shtml

You can click this link to access the full contents of Circular 120:

<http://www.chinatax.gov.cn/n810341/n810755/c3855604/content.html>

- Notice issued by the Office of the Administrative Committee of Pingtan Comprehensive Experimental Zone regarding follow-up measures for stabilizing the economy

Synopsis

To implement the work deployment on stabilizing the economy, the Office of the Administrative Committee of Pingtan Comprehensive Experimental Zone of Fujian introduced a package of follow-up measures for stabilizing the economy (hereinafter referred to as the “Measures”).

Key points of the Measures are summarized as follows:

- Constantly expand effective investment, promote the construction of key projects, and strengthen the planning of major projects.
- Constantly stimulate consumption, promote trade, and provide incentives on revenue achievement.
- Support the transformation and upgrading of enterprises. Support enterprises to go cloud, guide and promote the digital transformation of enterprises, and grant subsidies to enterprises for research and development investment.
- Constantly enhance the support for enterprises in difficulty. Implement the phased rent reduction and exemption for market entities, and implement national combined tax support policies².
- Improve financial services, enhance support of government financing guarantee, and support the financing of small and medium-sized enterprises.
- Constantly stabilize and boost employment. Implement the phased reduction of unemployment insurance and work-related injury insurance contributions, support enterprises to hire, and continue to grant vocational training subsidies.

The Measures became effective from its promulgation date, i.e., 29 September 2022 through 31 December 2022. Interested parties are advised to read the Measures for details so as to fully utilize the benefits offered. If in doubt, consultations with professionals are always helpful.

² National combined tax support policies include: small-scale VAT taxpayers with monthly sales not exceeding RMB150,000 are exempt from VAT; refund input VAT credits brought forward from the previous periods to qualified small and micro-sized enterprises (including self-employed industrial and commercial households); implement “15% super input VAT credit” policy for taxpayers in the lifestyle service industry; income derived from providing public transportation services is exempted from VAT; reduce Corporate Income Tax by half for small-sized enterprises with meager profit rate; small, medium and micro-sized enterprises that purchase new equipment are eligible for one-off deduction of total purchase costs in proportion; reduce Resource Tax, City Construction Tax, RET, ULUT, Stamp Duty (excluding Stamp Duty on securities transactions), Farmland Occupation Tax, Education Surcharges, Local Education Surcharges by half for small-scale VAT taxpayers, small-sized enterprises with meager profit rate and self-employed industrial and commercial households.

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

https://www.pingtan.gov.cn/jhtml/ct/ct_2964_111613

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

- Public notice regarding South Korea’s HDC Polymer Co., Ltd. applying the same tax rate as SK Chemical Co., Ltd. under the anti-dumping measures on polyphenylene sulfide (MOFCOM PN [2022] No. 26)
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202210/20221003353734.shtml>

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