

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

► Guidelines for declaration of preferential Individual Income Tax (IIT) policies in Guangzhou Nansha for 2022

Synopsis

Further to Caishui [2022] No. 29 ("Circular 29", i.e., Notice regarding preferential IIT policies for Guangzhou Nansha)¹, the Guangzhou Nansha Finance Bureau and Guangzhou Nansha Tax Service, State Taxation Administration (STA) jointly released the Guidelines for declaration of preferential IIT policies in Guangzhou Nansha ("Nansha") for 2022 (hereinafter referred to as the "Guidelines") on 10 November 2022.



The guidelines announced the timelines for the declaration, the documents required, and ways of declaration. Specifically, Hong Kong/Macau residents working in Nansha should declare the tax preference within the timeframe below:

Tax residency and categories of income received	Arrangements for the declaration
Individuals who are tax residents of Mainland China and received consolidated income and other applicable subsidy income for 2022	They should file for the IIT exemption ¹ treatment during the annual IIT filing to be completed during <u>1 March 2023 to 30 June 2023</u> .
Individuals who are tax residents of Mainland China and received operating income and applicable subsidy income for 2022	They should file for the IIT exemption treatment during the annual IIT filing to be completed during <u>1 January 2023 to 31 March 2023</u> .
Individuals who are not tax residents of Mainland China and are not required to complete annual IIT filing for 2022	They should file for the IIT exemption treatment during <u>1 March 2023 to 30 June 2023</u> .

On the other hand, it is specified that the Hong Kong/Macau residents qualifying for the IIT exemption include permanent residents and non-permanent residents of Hong Kong/Macau, hence non-permanent Hong Kong/Macau residents such as those who came to Hong Kong through the Hong Kong entry scheme for talents, professionals that work in Nansha are also eligible for the IIT exemption policy.

Relevant individual taxpayers are advised to read the Guidelines and Circular 29 for details and act accordingly and promptly. If in doubt, consultations with professionals are always recommended.

¹ According to Circular 29, from 1 January 2022 to 31 December 2026, Hong Kong/Macau residents working in Nansha are applicable to an IIT exemption, i.e., their IIT burden in Nansha exceeding their IIT burden that would have been arisen in Hong Kong/Macao shall be exempted.

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

https://guangdong.chinatax.gov.cn/gdsw/gznssw_tzgg/2022-11/10/content_2c5e8ccf9103420bb12e52ad8839eff4.shtml

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

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

► **Catalog of Corporate Income Tax (CIT) Declaration Items (updated in November 2022)**

Synopsis

Under the current practice, relevant taxpayers should perform self-assessment on their eligibility for a CIT preferential treatment before filing for the tax preference in the tax return and should keep the relevant supporting documents for further reference. Specifically, while a taxpayer claim for a tax preference or a specific deduction item (e.g., donations) in the CIT return, the taxpayer should look up the exact names of the relevant items in the Catalog of CIT Declaration Items (hereinafter referred to as the "Catalog") and complete the CIT returns accordingly. Each tax preference or specific item are listed in Catalog with a description of the relevant tax policies in brief.

Recently, the updated version of Catalog was announced via the official website of the STA to reflect the recent changes of the relevant tax policies, such as the contribution to qualifying not-for-profit scientific research institutions, increment of super deduction to support technology innovation during the fourth quarter of 2022.

Taxpayers are encouraged to read the Catalog for details and make sure to complete their CIT returns accurately.

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

<http://www.chinatax.gov.cn/chinatax/c102276/c5181990/5181990/files/2ae9ed93ebfc42f1b3f9cf1b1745206d.pdf>

► **Notice regarding ensuring the financial support for steady and healthy development of the real estate market (Yinfa [2022] No. 254)**

Synopsis

To promote the steady and healthy development of the real estate market, on 11 November 2022, the People's Bank of China (PBOC) and China Banking and Insurance Regulatory Commission (CBIRC) jointly announced several measures to ensure the financial support for the steady and healthy development of the real estate market via Yinfa [2022] No. 254 ("Circular 254").

Key points of Circular 254 are summarized as follows:

Financing support

- Stabilize financing of real estate development - Under the premise of ensuring creditors' rights, financial institutions shall meet the reasonable financing needs of real estate development projects in accordance with the principle of marketization.
- Support reasonable demands for individual housing loans - Implement differentiated housing credit policies for different cities, reasonably determine the down payment ratio and the lower limit of loan interest rates of local individual housing loans.
- Stabilize financing of construction enterprises and optimize the financing services for construction enterprises.
- Support reasonable extension of repayment of real estate development loans and trust loans.

Special loans to finance delivery of stalled housing projects

Support development and policy banks to provide special loans to ensure delivery of residential projects. Encourage financial institutions to provide financing support for special loans.

Support real estate enterprises in difficulty to handle risks

Ensure financial support for mergers and acquisitions (M&A) of real estate projects. Encourage asset management companies to jointly negotiate risk resolution models in non-performing asset disposal and risk management issues with local governments, commercial banks and real estate enterprises. Actively explore market-oriented support measures.

Ensure the legitimate rights and interests of housing finance borrowers

Encourage the negotiation to defer the repayment of principal and interest of loans in accordance with the law. Encourage financial institutions to adjust repayment extension for individuals affected by the epidemic based on the principles of marketization and law. Effectively protect the credit rights and interests of loan borrowers.

Enhance financial support for housing lease

- Optimize housing lease credit services, guide financial institutions to enhance credit support for housing lease enterprises, and provide financial support for housing lease projects.
- Support housing lease enterprises to issue credit bonds for the purpose of housing lease construction and operation. Steadily promote real estate investment trust (REIT) pilot projects.

It can be predicted that the above measures would bring positive impacts to the real estate market. The project delivery and fund pressure of real estate enterprises may be effectively relieved, the financing needs of high-quality real estate enterprises likely can be further guaranteed, the confidence of homebuyers will then be stabilized. Interested parties are advised to read Circular 254 for details.

You can click this link to access the full contents of Circular 254:

http://jrw.huzhou.gov.cn/art/2022/11/16/art_1229209954_58919361.html

► **Notice regarding inspection on recognition and registration of technology contracts (Guokehuozi [2022] No. 190)**

Synopsis

To strengthen the standardized management of technology contract registration and improve its quality, on 15 November 2022, the Torch Technology Industry Development Center of the Ministry of Science and Technology released Guokehuozi [2022] No. 190 ("Circular 190") to launch an inspection on recognition and registration of technology contracts.

According to Circular 190, the local competent authorities (hereinafter referred to as the "authorities") that handled recognition and registration of technology contracts shall revisit all the cases completed in 2022. Any recognized and registered technology contracts found not in line with the prevailing rules shall be altered or withdrawn. For those involving tax preferences², the authorities shall notify the tax authorities and other relevant authorities for their further action.

The inspection shall be completed by 15 February 2023. Relevant parties are advised to read Circular 190 for details.

² The tax preferences related to technology contracts of enterprises mainly include:

- Annual income of a resident enterprise derived from technology transfer that does not exceed RMB5 million is exempted from CIT, while CIT on the annual income exceeding RMB5 million shall be entitled to a 50% reduction.
- Taxpayers that provide technology transfer, technology development and related technical consulting and services are exempted from Value-added Tax.

You can click this link to access the full contents of Circular 190:

<http://www.chinatorch.gov.cn/kjb/tzgg/202211/869e22b22ecd4fa8994b7918a4fa98bb.shtml>

► **Public notice (PN) regarding public opinions consultation on the "Law of the People's Republic of China (PRC) on the Establishment of a Social Credit System (Discussion Draft)"**

Synopsis

To improve the social credit system and further strengthen the protection of personal credit information, the National Development and Reform Commission (NDRC), PBOC and relevant departments jointly prepared the "Law of the PRC on the Establishment of a Social Credit System (Discussion Draft)" (hereinafter referred to as the "Discussion Draft") and they released it to seek public opinions on 14 November 2022.

The Discussion Draft consists of 11 chapters, covering the "Construction of Government Integrity", "Construction of Social Integrity", "Construction of Judicial Credibility", "Praise of Integrity and Punishment of Dishonesty", etc. Among them, some key matters are clarified as follows:

- Clarified the scope of public credit information collection.
- Clarified that category-based administration for public credit information collection shall be implemented.
- Clarified the "bottom lines" for the collection of personal credit information, e.g., scope of information collection that is prohibited and qualified information-collection entities, which reflects the major purpose of the legislation, i.e., to prevent the disclosure and abuse of personal credit information.
- Clarified credit information entities' right to know, right to inquire and right to object, and formulated detailed provisions on the handling of dissatisfaction with objection results.
- Disciplinary actions should be within the limits of authority prescribed by law. Any disciplinary actions beyond the legal authorities should be regarded as abuse of power and violations of the law. Where a crime is constituted, criminal responsibility shall be investigated according to law.

The public are encouraged to express opinions on or before 14 December 2022 by logging onto the official website of the NDRC (www.ndrc.gov.cn).

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

<https://yyglxxbsgw.ndrc.gov.cn/htmls/article/article.html?articleId=2c97d16c-82cf3ac8-0184-74052a93-003e#iframeHeight=806>

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

- ▶ **Notice regarding supporting central state-owned enterprises to issue technology innovation corporate bonds (Zhengjianfa [2022] No. 80)**
<http://www.csrc.gov.cn/csrc/c100028/c6414576/content.shtml>
- ▶ **Notice regarding public opinions consultation on the “Law of the PRC on the Supervision and Administration of Banking Industry (Revised Discussion Draft)”**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1081221>
- ▶ **Notice regarding matters related to commercial banks issuing letters of guarantee to replace pre-sale supervision funds (Yinbaojianbanfa [2022] No. 104)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1081349>
- ▶ **Notice regarding further enhancing the support for deferred principal and interest repayment of loans of small and micro-sized enterprises (Yinfa [2022] No. 252)**
<http://www.pbc.gov.cn/zhengwugongkai/4081330/4406346/4693549/4710683/index.html>
- ▶ **Implementation plan on achieving carbon peak in the nonferrous metals industry (Gongxinbulianyuan [2022] No. 153)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2022/art_aef8faf38c7846c694fa88893b071b10.html
- ▶ **Report on the Development of Digital Economy**
<http://www.npc.gov.cn/npc/c30834/202211/dd847f6232c94c73a8b59526d61b4728.shtml>
- ▶ **Regulations regarding matters related to the adjudication of foreign-related civil and commercial cases (Fashi [2022] No. 18)**
<https://www.court.gov.cn/fabu-xiangqing-379181.html>
- ▶ **Energy efficiency level, energy saving level and access level of key energy-using products and equipment (2022 version) (Fagaihuanziqui [2022] No. 1719)**
https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj/202211/t20221117_1341455.html?code=&state=123
- ▶ **Notice regarding matters related to further ensuring the exclusion of new renewable energy consumption from energy consumption control (Fagaiyunxing [2022] No. 1258)**
http://www.gov.cn/zhengce/zhengceku/2022-11/16/content_5727196.htm
- ▶ **Notice regarding matters related to comprehensive administrative law enforcement of market supervision and administration (Guobanhuan [2022] No. 94)**
http://www.gov.cn/zhengce/content/2022-11/16/content_5727228.htm
- ▶ **Measures for Administrative Inspection of Elderly Care Institutions (Minfa [2022] No. 86)**
http://www.gov.cn/zhengce/zhengceku/2022-11/16/content_5727348.htm
- ▶ **Administrative Measures on the Information Disclosure of Life Insurance Products (CBIRC Order [2022] No. 8)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1082001&itemId=915>
- ▶ **2021 China E-commerce Report**
<http://www.mofcom.gov.cn/article/zwgk/gkbnjg/202211/20221103368045.shtml>
- ▶ **PN regarding public opinions consultation on the “Implementation Measures of the Ministry of Science and Technology on Administrative Penalties (Discussion Draft)”**
https://www.most.gov.cn/tztg/202211/t20221117_183551.html
- ▶ **PN regarding further clarifying matters related to the record-filing of customs declaration entities (GAC PN [2022] No. 113)**
<http://www.customs.gov.cn/customs/302249/2480148/4683685/index.html>

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