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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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Tax circular

- ▶ **Notice issued by the Shanghai Municipal Tax Service, State Taxation Administration (STA) and the Shanghai Municipal Administration for Market Supervision regarding further improvements in verification of Individual Income Tax (IIT) payment certificates for equity change registration (Shanghai Municipal Tax Service, STA/Shanghai Municipal Administration for Market Supervision Notice [2022] No. 3)**

Synopsis

According to the prevailing STA PN [2014] No. 67 ("PN 67", i.e., Notice regarding "Administrative Measures of Matters Related to IIT on Income Derived from the Alienation of Shares (Trial)"), transfer of shares by individuals shall be subject to IIT under the category of "capital gains".

For the share transfers, the transferor shall be the IIT taxpayer, while the transferee shall be the withholding agent. The tax authority in charge shall be the local tax authority where the investee enterprise is located.

To strengthen the tax collection and administration, as well as the cooperation between the tax authorities and the local administration for market supervision, the Shanghai Municipal Tax Service, STA and Shanghai Municipal Administration for Market Supervision jointly released Shanghai Municipal Tax Service, STA/Shanghai Municipal Administration for Market Supervision Notice [2022] No. 3 (“SH Notice 3”) to specify issues in this regard.

According to SH Notice 3, the withholding agent and the taxpayer should complete the IIT filing with the tax authority of Shanghai where the investee enterprise is located before filing the alteration of shareholder with the local administration for market supervision. In particular, the local administration for market supervision shall only proceed the alteration of shareholder after receipt of the form of tax clearance regarding the change of individual shareholder.

SH Notice 3 shall become effective from 20 December 2022. Meanwhile, it is worth noting that many local tax authorities and local administration for market supervision have jointly released similar local rules to enhance tax collection efficiency in this regard. Taxpayers or transaction parties should get familiar with the respective local practices and ensure compliance as that may affect timing on effecting a change of ownership. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of SH Notice 3:

<https://shanghai.chinatax.gov.cn/zcfw/zcfgk/grsds/202212/t465240.html>

You can click this link to access the full contents of PN 67:

<http://www.chinatax.gov.cn/n810341/n810765/n812141/n812222/c1520568/content.html>

Business circulars

► **Collection of Regulations and Policies on Foreign Investment 2021-2022 (National and Local)**

Synopsis

Foreign investment has been playing an important role in China’s economic development over the past many decades. Chinese government has introduced a batch of policies to encourage and stabilize foreign investment these years, aiming to support the investment and operation activities of foreign investment enterprises. The Ministry of Commerce (MOFCOM) summarized and put together a “Collection of Regulations and Policies on Foreign Investment 2021-2022 (National and Local)” (hereinafter referred to as the “Policies Collection”) on 29 November 2022, to provide reference for foreign investment enterprises and local commercial authorities.

The Policies Collection covers various policy measures related to foreign investment issued by government authorities at the central and local levels. Among them, key policies issued by the central government and the State Council include:

- Administrative Regulations of the People’s Republic of China on the Registration of Market Entities
- Opinions on Stabilizing Development and Improving Quality of Foreign Trade
- Opinions on Further Optimizing the Business Environment and Reducing Government-imposed Transaction Costs of Market Entities

Key policies issued by central government authorities include:

- Catalogs of Encouraged Industries for Foreign Investments (2022 Version)
- Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Version)
- Special Administrative Measures for Foreign Investment Access in Pilot Free Trade Zones (Negative List) (2021 Version)

- ▶ Policy measures focusing on the manufacturing industry to promote the expansion, stabilize the stock and improve the quality of foreign investment
- ▶ Development Plan on Utilizing Foreign Investment during the 14th Five-year Plan Period

Key policies issued by local governments include:

- ▶ Measures on Further Stabilizing Foreign Investment (Beijing)
- ▶ Measures on Stabilizing Foreign Trade and Foreign Investment and Promoting the Innovative Development of Foreign Trade (Tianjin)
- ▶ Notice Regarding the Recognition of Foreign-funded Research and Development (R&D) Centers Eligible for Tax Exemption (Tianjin)
- ▶ Measures of Shanghai for the Work on Complaints of Foreign Investment Enterprises
- ▶ Measures of Zhejiang Province for the Work on Complaints of Foreign Investment Enterprises
- ▶ Notice regarding implementing preferential import-level tax policies for foreign-funded R&D centers (Zhejiang)
- ▶ Notice regarding further promoting the utilization of foreign capital (Fujian)
- ▶ 11 Measures of Guangdong Province on Enhancing the Financial Support for Key Foreign Investment Enterprises
- ▶ Measures of Guangdong Province for Encouraging Multinational Corporations to Establish Regional Headquarters (Revised Version)

Foreign investment enterprises and foreign investors are encouraged to read the Collection for details of the policy relevant to your investment or investment plan so as to fully enjoy preferential treatments. If in doubt, consultations with professionals are always recommended.

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

https://www.jiyyuan.gov.cn/gov_special/zsy/zsy/t872369.html

▶ **Collection of Policies for Reducing Enterprises' Burdens (2022)**

Synopsis

To reduce burdens on enterprises, the Chinese government has introduced a series of policy measures to reduce tax, fees and government-imposed transaction costs, and to optimize the business environment in the past years. Based on the policies introduced these years, the Office of the State Council Inter-Ministerial Joint Conference on Reducing Enterprises' Burdens released the "Collection of Policies for Reducing Enterprises' Burdens (2022)" (hereinafter referred to as the "2022 Collection") on 8 December 2022 to facilitate enterprises to understand and enjoy relevant preferential policies.

The 2022 Collection covers 259 policy measures in seven aspects, including fee reduction and exemption (50 items), tax incentives (88 items), reduction of government-imposed transaction costs (44 items), labor costs (16 items), financing costs (30 items), energy and land costs (22 items), and logistics costs (9 items).

It is worth noting that the key tax support policies introduced in 2022 include enhancing the refund of input Value-added Tax (VAT) credits brought forward from the previous periods, reduction and exemption of "six taxes and two fees" for small and micro-sized enterprises, temporary deferral of employees' basic pension insurance, unemployment insurance and work-related injury insurance contributions borne by employers, allowing one-off deduction for high-and-new technology enterprises' purchase of equipment in the fourth quarter of 2022 with an extra 100% deduction, etc., which will effectively reduce enterprises' burdens.

Relevant taxpayers are advised to make reference to the 2022 Collection for greater details so as to leverage the preferential treatments. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of the 2022 Collection:

<http://qxj.suzhou.gov.cn/szeic/qzdt/202212/c37f39371def42d099d49f51ca5277c9.shtml>

Customs circular

- ▶ **PN regarding matters related to the implementation of the “Catalogs of Encouraged Industries for Foreign Investments (2022 Version)” (GAC PN [2022] No. 122)**

Synopsis

In regard to certain issues related to the Catalogs of Encouraged Industries for Foreign Investments (2022 Version) which shall become effective on 1 January 2023 (hereinafter referred to as the “2022 Catalogs”), the General Administration of Customs (GAC) released GAC PN [2022] No. 122 (“PN 122”) on 5 December 2022 to implement the enforcement of the 2022 Catalogs from customs perspective.

According to PN 122, from 1 January 2023, except for those listed in the Catalog of Imported Commodities of Foreign-invested Projects Not Entitled to Duties Exemption or the Catalog of Imported Key Technological Equipment and Products Not Entitled to Duties Exemption, importation of self-used equipment and technology, parts and components annexed to the equipment (within the total amount of investments) for the foreign-invested projects (including situations of capital increase) listed in the 2022 Catalogs can be exempt from Custom Duty (CD), but the importation shall still be subject to import-level VAT in accordance with relevant regulations.

Foreign-invested projects that are covered in the Catalogs of Encouraged Industries for Foreign Investments (2020 Version) (hereinafter referred to as the “2020 Catalogs”) and approved before 1 January 2023, may continue to be exempt from CD. However, the entities are required to obtain the Confirmation Letter for Approval for Establishment issued no later than 1 January 2024.

Where foreign-invested projects in process were not covered in the 2020 Catalogs but covered in the 2022 Catalogs, the importation of self-used equipment, technology, parts and components may also be exempt from CD. However, CDs previously paid are not refundable.

Concerned enterprises are encouraged to observe the requirement laid out in PN 122 and act accordingly and timely. If in doubt, consultations with professionals are always helpful.

You can click this link to access the full contents of PN 122:

http://www.gov.cn/zhengce/zhengceku/2022-12/07/content_5730403.htm

You can click this link to access the full contents of the 2022 Catalogs:

http://www.gov.cn/zhengce/zhengceku/2022-10/28/content_5722417.htm

You can click this link to access the full contents of the 2020 Catalogs:

http://www.gov.cn/zhengce/zhengceku/2020-12/28/content_5574265.htm

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

- ▶ **Measures for management of off-balance sheet risks of commercial banks**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1084271>
- ▶ **Notice regarding matters related to fund management on foreign institutions’ issuance of bonds in China’s domestic market (Yinfa [2022] No. 272)**
<http://www.pbc.gov.cn/zhengwugongkai/4081330/4406346/4693545/4726665/index.html>

- ▶ **Notice regarding matters related to regulating the use of the word "bank" in the name of an organization**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1084232>
- ▶ **Decisions on the revisions to the "Provisional Measures on the Administration of Online Taxi Booking Services" (MOT/MIIT/MPS/MOFCOM/SAMR/CAC Order [2022] No. 42)**
https://xxgk.mot.gov.cn/2020/jigou/fqs/202212/t20221205_3719525.html
- ▶ **Notice regarding further expanding the regions allowed to conduct used car exports (Shangmaohan [2022] No. 537)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203372133.shtml>
- ▶ **Notice regarding further optimizing and implementing the COVID-19 epidemic prevention and control measures (Lianfangliankongjizhizongfa [2022] No. 113)**
<http://www.nhc.gov.cn/xcs/gzzcwj/202212/8278e7a7aee34e5bb378f0e0fc94e0f0.shtml>
- ▶ **Notice regarding certain measures for further optimizing the epidemic prevention and control measures for ships transferring from international to domestic routes (Jiaoshuimingdian [2022] No. 327)**
https://xxgk.mot.gov.cn/2020/jigou/syj/202211/t20221118_3711481.html
- ▶ **Notice regarding the official public holiday schedule for 2023 (Guobanfamingdian [2022] No. 16)**
http://www.gov.cn/zhengce/content/2022-12/08/content_5730844.htm



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

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