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# 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 circular

- ▶ Notice issued by the Hainan Provincial Tax Service, State Taxation Administration (STA) regarding ensuring services for the substantial management and operations of enterprises in encouraged industries in Hainan Free Trade Port (FTP) (Qiongshuifa [2022] No. 102)

## Synopsis

According to the prevailing rules, qualified enterprises that are registered in Hainan FTP and engaged in substantial business in encouraged industries shall be subject to a reduced Corporate Income Tax (CIT) rate of 15%. To be qualified for this CIT preferential treatment, an enterprise is required to meet certain criteria, including having "substantial manufacturing/business operations" in Hainan FTP.



Further to Hainan Provincial Tax Service, STA/Finance Department of Hainan Province/Hainan Provincial Administration for Market Supervision PN [2022] No. 5 ("PN 5", i.e., Supplementary PN issued by the Hainan Provincial Tax Service, STA, Finance Department of Hainan Province and Hainan Provincial Administration for Market Supervision regarding matters related to enterprises in encouraged industries with substantial operations in Hainan FTP), on 7 December 2022, the Hainan Provincial Tax Service, STA released Qiongshuifa [2022] No. 102 ("Circular 102") to further clarify the key criteria for substantial management and operations:

#### Criteria for production and business operations

According to Circular 102, production and business operations refer to either of the following situations:

- From a business operation perspective - a qualifying enterprise should have its fixed and main production and business operation premises in Hainan FTP; or
- From a managerial perspective - a qualifying enterprise should have its effective management in Hainan FTP that manages and controls the full-scale production and business operations, including production and operational decisions, financial decisions and human resources related decisions.

#### Criteria for personnel and days of residence

According to Circular 102, at least three to 30 staff must reside in Hainan FTP for a total of 183 days or more in a tax year.

Any day of less than 24 hours in Hainan FTP shall still be counted as one day.

#### Calculation of the number of employees

The number of employees includes those who have labor relations with the enterprise and those dispatched workers accepted by the enterprise. The number of employees is determined by the quarterly average number of staff throughout the year, which shall be calculated by the following formulas:

- Quarterly average = (Number of employees at the beginning of the quarter + Number of employees by end of the quarter) / 2
- Quarterly average for the year = Sum of quarterly averages of the year / 4

#### Application of the preferential CIT treatment

Taxpayers should perform self-assessment to determine whether they are qualified for the preferential CIT treatment. To apply for the treatment, taxpayers shall fill out a Commitment Form for Self-evaluation of Business Operation Substances (see annex of Circular 102) and submit it together with the CIT return through the e-tax bureau.

Taxpayers are advised to read the above-mentioned circulars for details when trying to leverage this tax incentive in Hainan FTP. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of Circular 102:

[http://hainan.chinatax.gov.cn/ssxc\\_3\\_5\\_1/09143615.html](http://hainan.chinatax.gov.cn/ssxc_3_5_1/09143615.html)

You can click this link to access the full contents of PN 5:

[http://hainan.chinatax.gov.cn/xxgk\\_6\\_1/27142633.html](http://hainan.chinatax.gov.cn/xxgk_6_1/27142633.html)

#### Business circulars

- ▶ Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035)

##### Synopsis

To promote the implementation of the strategy of expanding domestic demand and cultivate a complete domestic demand system, the Central Committee of the Communist Party of China and the State Council issued the Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035) (hereinafter referred to as the "Outline") on 14 December 2022, aiming to meet the practical needs of people and promote the economic cycle more efficiently.

## Development objectives

According to the Outline, the long-term objectives of implementing the strategy of expanding domestic demand by 2035 include: the scale of consumption and investment will reach a new level, a complete domestic demand system will be fully established, the market system will be further enhanced to a higher standard, and a modern circulation system will be fully established; as for the key objectives during the 14th Five-year Plan period, it is proposed to promote consumption and investment, release the potential of domestic demand, improve the quality of supply, improve the market system and smoothen the economic cycle.

## Planned measures

The Outline also proposes relevant planned measures from several aspects to achieve the abovementioned goals, of which some key measures are summarized as follows:

### Promote consumption upgrades

- Constantly improve traditional consumption
- Actively develop service consumption
- Accelerate the cultivation of new consumption
- Advocate green and low-carbon consumption

### Optimize investment structure

- Increase support for investment in the manufacturing industry
- Constantly promote investment in specific key areas
- Arrange construction of new infrastructure

### Improve supply quality

- Accelerate development of new industries and products, and promote technology innovation
- Promote transformation and upgrading of traditional industries
- Strengthen brand construction of standard quality

### Improve modern market and circulation system

- Improve market-oriented allocation
- Accelerate establishment of a fair and unified market
- Build a modern circulation system

### Deepen reform and open-up

- Improve the system and mechanism for promoting consumption
- Promote the reform of investment and financing system
- Optimize the business environment and stimulate market vitality

Interested parties are advised to read the Outline for details.

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

[http://www.gov.cn/zhengce/2022-12/14/content\\_5732067.htm](http://www.gov.cn/zhengce/2022-12/14/content_5732067.htm)

► Implementation Plan for the Strategy of Expanding Domestic Demand During the 14th Five-year Plan Period

## Synopsis

To fully implement the Outline that was introduced earlier, on 15 December 2022, the National Development and Reform Commission (NDRC) issued the "Implementation Plan for the Strategy of Expanding Domestic Demand During the 14th Five-year Plan Period" (hereinafter referred to as the "Implementation Plan"). The Implementation Plan further clarifies specific plans for the measures as planned in the Outline, which covers consumption, investment, infrastructure construction and sci-tech innovation. Some highlight measures are as follows:

### Consumption upgrades

- Promote the development of digital home and promote renovation and decoration consumption.
- Promote the transformation of automobile consumption from purchase management to usage management. Strengthen the construction of supporting facilities such as parking lots, charging piles, power exchange stations, hydrogen refueling stations.
- Maintain the housing policy stance based on the principle that houses are for dwelling-in, not for speculation and steadily implement the long-term mechanism of stable and healthy development of the real estate market.
- Deeply promote building Hainan into an international tourism and consumption center. Cultivate and build a number of cities as international consumption centers with global influence and attractions.

### Develop service consumption and new consumption

- Implement the strategy of digitalization in the cultural industry and develop 5G radio and television.
- Develop "all-for-one" tourism and build a number of national tourism and leisure cities with distinctive cultural characteristics.
- Accelerate the improvement of the elderly care service system coordinated by community institutions and combined with medical care and healthcare, and encourage the development of general medical services.
- Develop online customization services and support technology applications such as driverless cars, unmanned distribution and expand contactless consumption.
- Further support diversified business models such as online car hailing, shared accommodation, contactless distribution, social e-commerce, and webcast.

### Optimize investment structure

- Encourage financial institutions to optimize financing structure to support the high-quality development of the manufacturing industry.
- Accelerate the construction of the national railway network, steadily promote the construction of civil airports, and support the construction of international shipping centers in the coastal areas in Tianjin and Hebei, Yangtze River Delta and Guangdong-Hong Kong-Macau Greater Bay Area.
- Promote the construction of a number of coal bases with green transformation and high-quality development, accelerate the construction of large-scale wind power and photovoltaic bases, and promote the construction of hydrogen energy infrastructure.
- Promote the construction of a number of national logistics hubs and railway (high-speed railway) express logistics bases.
- Accelerate the construction of new infrastructure, e.g., 5G network, Internet of Things, Internet of Vehicles.

### Science and technology innovation and industrial upgrades

- Promote the development of emerging industries, such as new-generation information technology, biotechnology, new materials, new energy, high-end equipment, new energy vehicles, environmental protection, marine equipment, 5G, integrated circuits, artificial intelligence.

- Accelerate the promotion of digital industrialization and industry digitalization.
- Develop modern agriculture, accelerate the transformation and upgrading of traditional manufacturing, and develop service-oriented manufacturing.

Interested parties are advised to read the Implementation Plan for details.

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

[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202212/t20221215\\_1343551.html?code=&state=123](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202212/t20221215_1343551.html?code=&state=123)

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

- ▶ Administrative Regulations on Deep Synthesis of Internet Information Services (SIIO/MIIT/MPS Order [2022] No. 12)  
[http://www.gov.cn/zhengce/zhengceku/2022-12/12/content\\_5731431.htm](http://www.gov.cn/zhengce/zhengceku/2022-12/12/content_5731431.htm)
- ▶ Notice regarding improving registered user information in electronic patent application systems  
[https://www.cnipa.gov.cn/art/2022/12/7/art\\_75\\_180695.html](https://www.cnipa.gov.cn/art/2022/12/7/art_75_180695.html)
- ▶ Notice regarding adjusting certain methods of handling patent business  
[https://www.cnipa.gov.cn/art/2022/12/7/art\\_75\\_180691.html](https://www.cnipa.gov.cn/art/2022/12/7/art_75_180691.html)
- ▶ Public notice regarding public opinions consultation on the "Measures on Country-by-country Risk Management of Financial Institutions in the Banking Sector (Discussion Draft)"  
[http://www.gov.cn/hudong/2022-12/10/content\\_5731232.htm](http://www.gov.cn/hudong/2022-12/10/content_5731232.htm)
- ▶ Notice regarding public opinions consultation on the "Provisional Regulations on Accounting Treatments for Enterprise Data Resources (Discussion Draft)" (Caibankuai [2022] No. 42)  
[http://kjs.mof.gov.cn/gongzuotongzhi/202212/t20221209\\_3856888.htm](http://kjs.mof.gov.cn/gongzuotongzhi/202212/t20221209_3856888.htm)
- ▶ Notice regarding public opinions consultation on the "Guidelines on Declaration of Balance of International Payments Statistics through Banks (2022 Version) (Discussion Draft)"  
<http://m.safe.gov.cn/safe/2022/1209/22083.html>
- ▶ Notice regarding matters related to implementing measures for optimizing epidemic prevention and control and ensuring basic financial services (Yinbaolianbanfa [2022] No. 116)  
[http://www.hunan.gov.cn/zqt/zcsd/202212/t20221215\\_29161331.html](http://www.hunan.gov.cn/zqt/zcsd/202212/t20221215_29161331.html)
- ▶ Administrative Measures on the Withdrawal and Use of Enterprise Safety Production Funds (2022 Revised Version) (Caizi [2022] No. 136)  
<https://czt.ln.gov.cn/czt/zxzx/czxw/2022121417191816424/index.shtml>
- ▶ Administrative Measures on Data Security in the Field of Industry and Information Technology (Trial) (Gongxinbuwangan [2022] No. 166)  
<http://sg.km.gov.cn/c/2022-12-16/4614791.shtml#:~:text=%E3%80%8A%E7%AE%A1%E7%90%86%E5%8A%9E%E6%B3%95%E3%80%8B%E4%BD%9C%E4%B8%BA,%E8%A6%81%E6%B1%82%E7%AD%89%E4%B8%83%E4%B8%AA%E6%96%B9%E9%9D%A2%E3%80%82>
- ▶ Notice regarding the list of 2022 National Public Service Demonstration Platforms for Small and Medium-sized Enterprises (Gongxinbuqiyehan [2022] No. 274)  
[https://wap.miit.gov.cn/jgsj/qyj/wjfb/art/2022/art\\_d5cb4653cbe424ab614654e9179caed.html](https://wap.miit.gov.cn/jgsj/qyj/wjfb/art/2022/art_d5cb4653cbe424ab614654e9179caed.html)
- ▶ Notice regarding public opinions consultation on the "Administration Measures on the Supervision of Financial Infrastructure (Discussion Draft)"  
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/4736844/2022121415360114230.pdf>
- ▶ Development Plan on Modern Logistics During the 14th Five-year Plan Period (Guobanfa [2022] No. 17)  
[http://www.gov.cn/zhengce/content/2022-12/15/content\\_5732092.htm](http://www.gov.cn/zhengce/content/2022-12/15/content_5732092.htm)



# Happy Holidays

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