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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 circulars

- ▶ **Notice regarding matters related to further implementing the preferential Individual Income Tax (IIT) policies for high-end and urgently-needed talents in Hainan Free Trade Port (FTP) (Qiongcaizhikai [2022] No. 1211)**

Synopsis

According to Caishui [2020] No. 32 ("Circular 32", i.e., Notice regarding the IIT policies for high-end and urgently-needed talents in Hainan FTP), for high-end and urgently needed talents who work in Hainan FTP, their IIT burden exceeding 15% shall be exempt from IIT. This exemption is to be implemented on a pay-first-refund-later basis.

To clarify matters from implementation perspectives, the Hainan Provincial Tax Service, State Taxation Administration (STA), the Hainan Provincial Market Administration for Market Regulation, Hainan Provincial Finance Bureau, Talent Development Bureau of Communist Party of China (CPC), Hainan Provincial Committee and Hainan Provincial Human Resource and Social Security (hereinafter referred to as the "Hainan HRSS") jointly released Qiongcaizhikai [2022] No. 1211 ("Circular 1211") on 23 December 2022.

Key features of Circular 1211 include:

Items	Details specified in Circular 1211
Income sourced from Hainan FTP and the relevant taxes are filed and paid in Hainan FTP	
Consolidated income (i.e., the sum of salaries and wages, remuneration for personal services, authors' remuneration and royalties) that are derived from Hainan FTP	<ul style="list-style-type: none"> ▶ Salaries and wages: salaries, wages, bonus, allowance, etc. that are derived by an individual for an employment in Hainan FTP (the labor contracts/employment contracts signed with companies/employers registered in Hainan FTP should be at least a year.) ▶ Remuneration for personal services: income derived by an individual for engaging in personal services in Hainan FTP. ▶ Authors' remuneration: Remunerations derived from Hainan FTP by an individual for publishing his/her works in books, journals, etc. ▶ Royalties: Income derived from Hainan FTP by an individual for granting others the right to use the individual's intangible assets, e.g., patent, trademark.
Operating income	Income derived by an individual for engaging in manufacturing and business operation activities in Hainan FTP.
Any talent related subsidy income recognized by the Hainan government authorities	<ul style="list-style-type: none"> ▶ Talent related subsidy income related to the individual's employment should be combined into the consolidated income; ▶ Talent related subsidy income related to the individual's manufacturing or business operation activities should be combined into the operating income.
Calculation of the IIT exemption	
IIT exemption for a resident's ¹ consolidated income	$\text{IIT exemption} = (\text{IIT for consolidated income} - \text{Taxable consolidated income} \times 15\%) \times \frac{\text{Consolidated income derived from Hainan FTP}}{\text{Total consolidated income}}$
IIT exemption for a resident's ¹ operating income	$\text{IIT exemption} = (\text{IIT for operating income} - \text{Taxable operating income} \times 15\%) \times \frac{\text{Operating income derived from Hainan FTP}}{\text{Total operating income}}$
IIT exemption for a non-resident's ² salary/wages	$\text{IIT exemption} = (\text{IIT for salaries/wages} - \text{Taxable salaries/wages} \times 15\%) \times \frac{\text{Salaries/wages derived from Hainan FTP}}{\text{Total salaries/wages}}$
IIT exemption for a non-resident's ² remuneration for personal services, authors' remuneration and royalties	$\text{IIT exemption} = \text{IIT to be paid in Hainan FTP} - \text{Taxable income in Hainan FTP} \times 15\%$
IIT exemption for a non-resident's ² operating income	$\text{IIT exemption} = (\text{IIT for operating income} - \text{taxable operating income} \times 15\%) \times \frac{\text{operating income derived from Hainan FTP}}{\text{total operating income}}$
Calculation of "183 days"³	
The eligible individual ⁴ has stayed in Hainan FTP for accumulated 183 days in a calendar year	The individual should stay in Hainan FTP for accumulated 183 days in a calendar year. The day of arrival and the day of departure shall each be counted as one day. Multiple entry/exit within a year shall be combined to calculate the actual day of stay in Hainan FTP.

Items (Cont'd)	Details specified in Circular 1211 (Cont'd)
Application for the IIT exemption	
Application for the IIT exemption	<ul style="list-style-type: none"> ▶ IIT exemption for operating income shall be applied during the annual IIT filing from 1 January to 31 March of the following year. ▶ IIT exemption for consolidated income shall be applied during the annual IIT filing from 1 March to 30 June of the following year. ▶ Non-residents who are not able to complete the application during this period may appoint tax agents, other entities or individuals to handle the tax exemption application for them, or they can still submit the application 30 days prior to their departure. ▶ High-end and urgently-needed talents should keep the labor contract/employment contracts signed with Hainan employers (contract terms should be at least a year) for five years.
Process for confirmation of eligible individuals and feedback of name list	
Confirmation of eligible individuals	<ul style="list-style-type: none"> ▶ Talent Development Bureau of CPC, Hainan Provincial Committee shall forward the name lists of high-end and urgently-needed talents to the Hainan HRSS by the end of December of each year. ▶ The Hainan Provincial Tax Service, STA shall forward the lists of individuals that have derived income of at least RMB300,000 (which may be under dynamic adjustments according to the economic and social development of Hainan FTP) for a calendar year to the Hainan HRSS by the end of January of the following year. ▶ Employers of individuals who are specific personnel working in aviation, shipping, or offshore oil/gas exploration industries, etc. and cannot meet the "183 days" criterion shall submit applications via the electronic tax bureau by 1 March of each year, starting from 2024.
Feedback of name list	<p>Upon receiving name lists of high-end and urgently-needed talents, the Hainan HRSS should forward the same to the relevant departments to verify the status of social security contribution and actual days of stay of the individuals.</p> <p>The Hainan provincial tax services, STA shall notify the relevant eligible individuals via texts, or other suitable measures.</p>

Circular 1211 became effective on 1 January 2023. The previous Qiongaishui [2020] No. 1019 ("Circular 1019", i.e., Notice issued by the Finance Bureau of Hainan Province, Hainan Provincial Tax Service, STA, Administration for Market Supervision of Hainan Province and Talent Development Bureau of CPC, Hainan Provincial Committee regarding matters related to the implementation of preferential IIT policies for high-end and urgently-needed talents in Hainan FTP) shall become invalid after the 2022 annual IIT filing.

¹ According to the prevailing IIT law, an individual with a domicile in China and non-China-domiciled individuals who reside in China for accumulated 183 days or more in a calendar year are considered as residents for IIT purpose.

² According to the prevailing IIT law, an individual who has no domicile and does not reside in China; or an individual with no domicile but reside in China for less than accumulated 183 days in a calendar year are considered as non-residents for IIT purpose.

³ One key criterion for obtaining the IIT exemption is that the individual has stayed in Hainan FTP for accumulated 183 days in a calendar year, except for individuals who are specific personnel working in aviation, shipping, or offshore oil/gas exploration industries, etc.

⁴ According to the prevailing "Provisional Administrative Measures on the List of High-end and Urgently needed Talents Who are eligible for IIT Preferential Policies in Hainan FTP" (hereinafter referred to as the "2022 Provisional Measures") released via Qiongfufu [2022] No. 31, eligible individuals should be recognized by the local talent administrative departments of Hainan Province or has derived income of at least RMB300,000 for a calendar year from Hainan FTP.

You can click this link to access the full contents of Circular 1211:

<http://mof.hainan.gov.cn/sczt/0400/202212/aa27a11140e843968a441558640d1a5c.shtml>

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

http://www.gov.cn/zhengce/zhengceku/2020-06/30/content_5522950.htm

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

<https://www.hainan.gov.cn/hainan/rczcwj/202209/5bdb30e9245444a29f882c09b088f053.shtml>

You can click this link to access the full contents of Circular 1019:

https://www.hnftp.gov.cn/zcfg/zcwj/hnzc/202012/t20201218_3023919.html

► **Notice regarding the tax filing deadlines in 2023 (Shuizongbanzhengkehan [2022] No. 245)**

Synopsis

On 27 December 2022, the General Office of the STA released Shuizongbanzhengkehan [2022] No. 245 ("Circular 245") to clarify the filing deadlines of taxes to be declared monthly or quarterly in 2023. According to Circular 245:

- The tax filing deadlines of February, March, June, August, September, November and December 2023 will be the 15th day of the month respectively.
- As 15 January 2023 falls on Sunday, the tax filing deadline of the period will be extended to 16 January 2023.
- As 15 April 2023 falls on Saturday, the tax filing deadline of the period will be extended to 17 April 2023.
- As a public holiday falls on 1 to 3 May 2023, the tax filing deadline of the period will be extended to 18 May 2023.
- As 15 July 2023 falls on Saturday, the tax filing deadline of the period will be extended to 17 July 2023.
- As a public holiday falls on 1 to 6 October 2023, the tax filing deadline of the period will be extended to 23 October 2023.

To adjust tax filing deadlines due to special circumstances, tax authorities at the local level should report to the STA (Tax Administration and Information Technology Department) for record filing in advance. Taxpayers are advised to make reference to Circular 245 for greater details and comply with the deadlines.

You can click this link to access the full contents of Circular 245:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5183381/content.html>

► **Public notice (PN) regarding the tariff adjustment plan for 2023 (Customs Tariff Commission PN [2022] No. 11)**

Synopsis

On 28 December 2022, the Customs Tariff Commission of the State Council released Customs Tariff Commission PN [2022] No. 11 ("PN 11") regarding the tariff adjustment plan for 2023.

According to PN 11, from 1 January 2023, 1,020 import commodities shall be subject to temporary tariff rates (i.e., rates that are lower than the most favored nation tariff rates applying to these commodities before 1 January 2023). Eight categories of commodities, including wheat, shall still be under the administration of tariff quota. Importation of cotton outside the tariff quota shall still be subject to Sliding Scale Duty. Upon adjustment, tariff items of 2023 Customs Tariff of Import and Export Commodities shall be increased to 8,948.

It is worth-noting that the People's Republic of China (PRC) shall expand the application scope of the Regional Comprehensive Economic Partnership (RCEP) Agreement ASEAN tariff rate to certain commodities originated from Indonesia from 2 January 2023.

We will keep an eye on any further developments and advise you accordingly, please stay tuned.

You can click this link to access the full contents of PN 11:

http://www.gov.cn/zhengce/zhengceku/2022-12/29/content_5734125.htm

Customs circular

► **PN regarding the newly-added items of the RCEP agreement (GAC PN [2022] No. 129)**

Synopsis

According to the Administrative Measures of the Customs of the PRC on the Origin of Imported and Exported Goods under the RCEP (hereinafter referred to as the “Administrative Measures”) released via GAC Order [2021] No. 255, the General Administration of Customs (GAC) released GAC PN [2022] No. 129 (“PN 129”) on 23 December 2022 to specify the following matters:

- The Administrative Measures apply to the importation/exportation of originating goods among the members of RCEP that have already approved the ratification of the RCEP. From 2 January 2023, Indonesia is added to the list of member countries that the Administrative Measures apply to.
- The updated RCEP rules of origin and certificate origins according to the 2022 version of the Harmonized Commodity Description and Coding System are also announced via PN 129 and became effective on 1 January 2023. The previous versions announced via Attachments I and III of GAC PN [2021] No. 106 (“PN 106”, i.e., PN regarding matters related to implementing the RCEP) were replaced simultaneously.

Taxpayers are advised to refer to PN 129 for greater details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 129:

<http://qdfs.customs.gov.cn/customs/302249/2480148/4758731/index.html>

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

http://www.gov.cn/gongbao/content/2022/content_5678091.htm

You can click this link to access the full contents of PN 106:

<http://www.mofcom.gov.cn/article/zcfb/zcwq/202202/20220203280734.shtml>

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

- **PN regarding matters related to adjusting anti-counterfeiting measures for Value-added Tax paper special invoices (STA PN [2022] No. 25)**
<http://www.chinatax.gov.cn/chinatax/n359/c5183359/content.html>
- **Notice regarding tax authorities to collect forest vegetation restoration fee and grassland vegetation restoration fee (Caishui [2022] No. 50)**
http://chongqing.chinatax.gov.cn/cqtax/zcwj/zxwj/202212/t20221226_347879.html
- **Notice regarding the best practice cases on building comprehensive demonstration zones for expanding the opening-up in the service sector (Shangzihan [2022] No. 528)**
<http://www.mofcom.gov.cn/article/zcfb/zcwqtz/202212/20221203375596.shtml>
- **Administrative Measures for the Demonstration of Standardized Market Creation for Intellectual Property Protection (Guozhibanfabaozi [2022] No. 64)**
http://www.gov.cn/zhengce/zhengceku/2022-12/24/content_5733374.htm
- **Notice regarding public opinions consultation on the “Outlines on Ethical Conduct of Certified Public Accountants (Discussion Draft)”**
https://www.cicpa.org.cn/xxfb/tzgg/202212/t20221223_63885.html
- **Notice regarding strictly implementing accounting standards for enterprises and effectively ensuring the 2022 annual report of enterprises (Caikuai [2022] No. 32)**
http://kjs.mof.gov.cn/gongzuotongzhi/202212/t20221223_3859776.htm

- ▶ **Notice regarding provisional measures for the entry and exit of Chinese and foreigners**
https://www.fmprc.gov.cn/wjbxw_new/202212/t20221227_10995607.shtml
- ▶ **Measures for the Supervision and Rating of Foreign Bank Branches (Trial) (Yinbaojiangui [2022] No. 21)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087219>
- ▶ **Notice regarding classic experiences of Zhejiang, Anhui, Hubei, Sichuan and other provinces in deepening the reform of investment projects approval system and promoting the high-quality development of investment (Fagaibantouzi [2022] No. 977)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202212/t20221227_1343935.html?code=&state=123
- ▶ **Opinions on providing judicial services and guarantees to promote consumption (Fafa [2022] No. 35)**
<https://www.court.gov.cn/zixun-xiangqing-384291.html>
- ▶ **Opinions on providing judicial services and guarantees to stabilize employment (Fafa [2022] No. 36)**
<https://www.court.gov.cn/fabu-xiangqing-384301.html>
- ▶ **PN regarding optimizing immigration policy measures after relaxing the strict new coronavirus infection control policies**
http://www.gov.cn/zhengce/zhengceku/2022-12/27/content_5733779.htm
- ▶ **Notice regarding certain measures for supporting the innovation and upgrading of National Economic and Technological Development Zones (Shangzihan [2022] No. 549)**
<http://www.mofcom.gov.cn/article/zcfb/zcwqtz/202212/20221203376062.shtml>
- ▶ **Implementation plan on further improving the market-oriented green technology innovation system (2023-2025) (Fagaihuanzi [2022] No. 1885)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202212/t20221228_1344205.html?code=&state=123
- ▶ **Notice regarding work plan on the resumption of international passenger flights**
http://www.gov.cn/zhengce/zhengceku/2022-12/28/content_5733992.htm
- ▶ **Administrative Measures of Banking and Insurance Institutions for the Protection of Consumer Rights and Interests (CBIRC Order [2022] No. 9)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087524>
- ▶ **PN regarding public opinions consultation on the "Notice Regarding Matters Related to Regulating the Classification of Trust Business of Trust Companies"**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087581&itemId=925&generaltype=0>
- ▶ **PN regarding public opinions consultation on the "Administrative Measures for Auto Finance Companies (Discussion Draft)"**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087515&itemId=925&generaltype=0>
- ▶ **Notice regarding public opinions consultation on the "Measures on the Supervision and Administration for Custody Business of Commercial Banks (Discussion Draft)"**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087478&itemId=951&generaltype=2>
- ▶ **PN regarding fully implementing online verification of the "Certificate of Agricultural Products Tariff Quota of the People's Republic of China" and other two certificates (GAC/NDRC/MOFCOM PN [2022] No. 132)**
<http://www.customs.gov.cn/customs/302249/2480148/4761122/index.html>
- ▶ **PN regarding matters related to relaxing the strict new coronavirus infection control policies (GAC PN [2022] No. 131)**
<http://www.customs.gov.cn/customs/302249/2480148/4761081/index.html>
- ▶ **PN regarding expanding the applicable scope of the reform for express cross-border highway customs clearance (GAC PN [2022] No 133)**
<http://www.customs.gov.cn/customs/302249/2480148/4761260/index.html>

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