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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.

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

- **Notice regarding public opinions consultation on the "Value-added Tax (VAT) Law of the People's Republic of China (PRC) (Draft)"**

Synopsis

The VAT Law of the PRC (Draft) (hereinafter referred to as the "Draft VAT Law") was submitted to the Standing Committee of the 13th National People's Congress (NPC) for deliberation in December 2022 and now is available on its official website to seek public opinion. The consultation of public opinion shall be opened for 30 days from 30 December 2022.



Key features of the Draft VAT Law include:

Items	Stipulations in the Draft VAT Law	Remark
VAT taxable scope	As prescribed in the Draft VAT Law, the VAT taxpayers refer to entities and individuals that sell goods, services, intangible assets, immovable assets and engage in importation of goods within the territory of the PRC.	The wording of “processing, repairs, and replacement services” in the prevailing VAT Provisional Regulations has been removed and covered by the wording of services.
Applicable VAT rates/collection rates	The current tax brackets of 13%, 9% and 6% stay unchanged, while the collection rate for small-scale VAT taxpayers under the simplified calculation method is 3%.	It is still not clear whether the prevailing collection rate of 5% (e.g., taxpayers deriving income from labor dispatch services and choose to calculate VAT on a net basis) would be maintained.
Deemed sales	Deemed sales were clarified as follows: <ul style="list-style-type: none"> ▶ Where entities or self-employed industrial and commercial households use their self-produced goods or goods processed on commission for welfare or individual consumption purposes. ▶ Entities or self-employed industrial and commercial households give out their goods for free. ▶ Entities or self-employed industrial and commercial households give out intangible assets, immovable assets or financial products for free. ▶ Any other circumstances to be stipulated by the Ministry of Finance and State Taxation Administration. 	The VAT treatment for services provided for free that were not covered in the definition of deemed sales in the Draft VAT Law may need to be further stipulated in the detailed implementation rules.
Mixed sales	Where one taxable transaction conducted by a taxpayer involves two or more VAT rates or collection rates, the VAT rate or collection rate of the main business activity involved should be applied.	According to the Draft VAT Law, the applicable VAT rate/collection rate of a “mixed sales” transaction should be assessed according to the main business activity involved in the transaction instead of the major business of the taxpayer stipulated in the prevailing VAT rules (e.g., a mixed sales transaction of a taxpayer that mainly engages in manufacturing, wholesale and retail would be subject to VAT according to sales of goods while other taxpayers involving in a mixed sales transaction shall be subject to VAT according to sales of services).



Items (Cont'd)	Stipulations in the Draft VAT Law (Cont'd)	Remark (Cont'd)
Uncreditable input VAT	<p>Uncreditable input VAT include:</p> <ul style="list-style-type: none"> ▶ Input VAT corresponding to items subject to the simplified calculation method. ▶ Input VAT corresponding to VAT-exempt items. ▶ Input VAT corresponding to items of abnormal losses. ▶ Input VAT corresponding to purchased goods, services, intangible assets, and immovable assets used for collective welfare or personal consumption purposes. ▶ Input VAT corresponding to catering services, daily services for residents, and entertainment services purchased for direct consumption. ▶ Other input VAT to be prescribed by the State Council. 	Unlike the Discussion Draft of VAT Law (hereinafter referred to as the "Discussion Draft") which was announced to seek public opinions in November 2019, the Draft VAT Law did not include input VAT related to loan services as the uncreditable input VAT. However, it is yet to know if it will be clarified in the implementation rules or other coming VAT rules.
Refund of input VAT brought forward	Where input VAT for the current period exceeds output VAT for the current period, the excess input VAT may be carried forward for offsetting future output VAT; or it may be refunded.	The principle of refund of input VAT brought forward has been included in the Draft VAT Law which is in accordance with the current tax and fee reduction policies implemented in the PRC.

Concerned parties should read the Draft VAT Law and are encouraged to express opinions on or before 28 January 2023 by sending mails or logging onto the official websites of the NPC (<http://www.ndrc.gov.cn>) or the National Database of Laws and Regulations (<http://www.npc.gov.cn>).

Our indirect tax team has issued a WeChat news article (in Chinese) on 6 January 2023 to discuss the Draft VAT Law in greater detail. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE or click the weblink below.

You can click this link to access the full contents of the Draft VAT Law:
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808181842c261c018561423bfd00cf>

You can click this link to access the full contents of the Discussion Draft:
<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5140207/content.html>

You can click this link to access the full contents of the VAT Provisional Regulations:
http://jdjc.mof.gov.cn/fqzd/202202/t20220208_3786468.htm

You can click this link to access the full contents of the WeChat article:
<https://mp.weixin.qq.com/s/ftS26kNbOUPynPdhl9QITA>

▶ **Tariff Schedule of the PRC (2023) (Customs Tariff Commission PN [2022] No. 12)**

Synopsis

On 31 December 2022, the Customs Tariff Commission of the State Council released Customs Tariff Commission PN [2022] No. 12 to announce the "Tariff Schedule of the PRC (2023)" (hereinafter referred to as the "2023 Tariff Schedule").

On top of the 2022 Tariff Schedule, the 2023 Tariff Schedule adjusted the tariff items for import and export, most-favorite-nation tariff rates, provisional tariff rates for import, etc. according to the relevant adjustments made in Customs Tariff Commission PN [2022] No. 11 ("PN 11", i.e., Public notice (PN) regarding the tariff adjustment plan for 2023). For instance, the tariff rates on imports of certain medical products, consumer goods, resource products, raw materials and components and many other commodities have been reduced according to the 2023 Tariff Schedule to further meet the needs of people's lives, enterprise production and social development.

2023 Tariff Schedule became effective from 1 January 2023. Relevant parties are encouraged to read 2023 Tariff Schedule for more details.

You can click this link to access the full contents of 2023 Tariff Schedule:

http://gss.mof.gov.cn/qzdt/zhengcefabu/202212/t20221230_3861743.htm

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

Business circulars

► **Notice regarding public opinions consultation on the "Company Law of the PRC (Second Draft for Deliberation)"**

Synopsis

To further regulate the organization and behavior of companies and protect the legitimate rights and interests of companies, shareholders and creditors, the Standing Committee of the 13th NPC deliberated the "Company Law of the PRC (Second Draft for Deliberation)" (hereinafter referred to as the "Second Deliberation Draft") in its 38th session and released it to seek public opinions on 30 December 2022. The Second Deliberation Draft consists of 262 articles in 15 chapters. Some key revisions are as follows:

Further strengthen shareholders' responsibility for capital contribution

- It is clarified that failure to make full capital contributions on time can result in the loss of equity of shareholders and relevant compensation liability.
- It is clarified that where a company is unable to pay its debts as they become due, the company or the creditors of the due debts can require shareholders to make their capital contributions in advance.
- It is clarified that where a shareholder transfers its equity for which capital contribution is not made on time, the transferor shall bear supplementary responsibility for the capital contribution that the transferee fails to make on time.

Improve the provisions on companies' organizational structure and authorities

- Further clarify the authorities of the board of shareholders and board of directors.
- Improve relevant regulations on employee representatives among the board of directors.
- Further clarify the requirements on the composition and qualification of the audit committee of limited liability companies.
- It is clarified that small-sized limited liability companies may not have supervisors with the consent of all shareholders so as to further improve the flexibility of corporate governance.

Improve directors' responsibilities

It is clarified that where directors or senior management cause damage to others while performing their duties, the company shall be liable for compensation. Directors or senior management shall also be liable for compensation if they commit intentional misconduct or gross negligence. A new requirement was added for companies to purchase liability insurance for directors during their term of office.

Improve the organizational structure of listed companies

- ▶ Authorize the securities regulatory authority of the State Council to formulate provisions on the specific administrative measures of independent directors of listed companies.
- ▶ Clarify the authorities of the audit committee of listed companies.
- ▶ It is clarified that listed companies should disclose the information of shareholders and actual controllers according to law, and the information disclosed should be true, accurate and complete.
- ▶ It is clarified that subsidiaries of a listed company should not hold the shares of the listed company.

Revise the provisions on state-funded companies

According to the Second Deliberation Draft, the provisions on state-funded companies are improved, which made a good linkage with the Enterprise State-owned Assets Law. It is clarified that the wholly state-owned company does not have a board of supervisors or supervisors, and the audit committee of the board shall exercise the relevant functions and powers of the board of supervisors.

Facilitate business deregistration in practice

According to the new provisions in the Second Deliberation Draft on mandatory deregistration, the company registration authority can publicize the deregistration through the enterprise information publicity system. After the publicity period expires, the deregistration shall be completed if there is no objection.

The public is encouraged to express opinions on or before 28 January 2023 by sending mails or logging onto the official websites of the NPC (<http://www.ndrc.gov.cn>) or the National Database of Laws and Regulations (<http://www.flk.npc.gov.cn>).

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

<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808181842c261c01856172441f020a>

▶ Notice regarding public opinions consultation on the revised “Legislation Law of the PRC (Second Draft for Deliberation)”

Synopsis

The second draft of the revised Legislation Law of the PRC (hereinafter referred to as the “Second Draft of Legislation Law”) was submitted to the Standing Committee of the 13th NPC for further deliberation and was announced to seek public comments on 30 December 2022. The consultation of public opinion shall be opened for 30 days.

The Second Draft of Legislation Law revises certain clauses and added a few new contents. Specifically, it is prescribed that the State Council may, according to the needs of reform and development, make decisions on specific items in the fields such as administrative management to authorize the temporary adjustments or suspension of some provisions of applicable laws in certain ranges within a certain period of time. As prescribed in the prevailing Legislation Law revised in 2015, it is the NPC and its Standing Committee’s right to make such decisions.

Concerned parties should read the Second Draft of Legislation Law and are encouraged to express opinions on or before 28 January 2023 by sending mails or logging onto the official websites of the NPC (<http://www.ndrc.gov.cn>) or the National Database of Laws and Regulations (<http://www.flk.npc.gov.cn>).

You can click this link to access the full contents of the Second Draft of Legislation Law:

<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808181844232f701856183bc3d4377>

You can click this link to access the full contents of the prevailing Legislation Law:

<http://www.npc.gov.cn/npc/c26320/201503/e456d43b4cfb403c8638fb6b77f301d4.shtml>

- ▶ **PN regarding public opinions consultation on the “Notice Issued by the State Administration for Market Regulation (SAMR) Regarding Implementing the ‘Administrative Regulations on the Registration of Market Entities’ to Further Improve the Registration of Market Entities (Discussion Draft)”**

Synopsis

To fully implement the “Administrative Regulations on the Registration of Market Entities” (hereinafter referred to as the “Regulations”) and its implementation rules (hereinafter referred to as the “Implementation Rules”), and further improve the administrative system and rules of market entity registration, the SAMR prepared the “Notice Regarding Implementing the ‘Regulations’ to Further Improve the Registration of Market Entities (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) and released it to seek public opinions on 3 January 2023.

Key features of the Discussion Draft are as follows:

- ▶ Local market regulatory authorities should provide market entities with higher-standard, more efficient and higher-quality registration services.
- ▶ Local market regulatory authorities should not set additional conditions for market entities registration, and should strive to eliminate differences in registration items, criteria, procedures and material specifications.
- ▶ Local market regulatory authorities should publicize the management information of market entities registration according to law, constantly optimize registration process, improve registration efficiency, and promote the application of electronic business licenses.
- ▶ Local market regulatory authorities should strengthen the construction of the self-service entity name declaration system.
- ▶ Market entities should apply for business closure in accordance with relevant provisions of the Regulations.
- ▶ Market entities should conduct deregistration in accordance with relevant provisions of the Implementation Rules.
- ▶ Foreign investment enterprises should adjust their organizational structures in accordance with relevant laws and regulations such as the Company Law, Partnership Enterprise Law and Regulations before the end of 2024.
- ▶ Local market regulatory authorities should promote the revision and abolishment of local laws and regulations that are inconsistent with the Regulations as soon as possible.

The public is encouraged to express opinions on or before 20 January 2023 by logging onto the official website of the SAMR (<http://www.samr.gov.cn>) or by sending emails to djjzdc@samr.gov.cn.

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

https://www.samr.gov.cn/hd/zjdc/202301/t20230103_352582.html

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

http://www.gov.cn/zhengce/content/2021-08/24/content_5632964.htm

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

<http://scjg.hebei.gov.cn/info/81024>

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

<http://www.npc.gov.cn/npc/c12435/201811/68a85058b4c843d1a938420a77da14b4.shtml>

You can click this link to access the full contents of the Partnership Enterprise Law:

<http://www.npc.gov.cn/npc/c198/200608/5df0406ff8be4587905e6004ec6fb9e4.shtml>

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

- ▶ **PN regarding applicable VAT policies for civil aircraft (MOF/STA PN [2022] No. 38)**

<http://www.chinatax.gov.cn/chinatax/n359/c5183404/content.html>

- ▶ **Opinions on the 2023 Action Plan for Simplifying Tax Procedures for Taxpayers (Shuizongnafufa [2022] No. 1)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5183422/content.html>
- ▶ **PN regarding the catalog of wholly or partially abolished tax-related regulatory documents (STA PN [2022] No. 24)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5183433/content.html>
- ▶ **Decision on revising the “Foreign Trade Law of the PRC” (Chairman Order [2022] No. 128)**
<http://www.npc.gov.cn/npc/c30834/202212/c4d037ed9f0347619e06d3fb34e6ba90.shtml>
- ▶ **Notice regarding further regulating auto finance business (Yinbaojiangui [2022] No. 22)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1087689>
- ▶ **Notice regarding revisions to the format of financial statements of insurance companies in 2023 (Caikuai [2022] No. 37)**
http://kjs.mof.gov.cn/zhengcefabu/202212/t20221230_3861729.htm
- ▶ **Catalogue of Goods Subject to Import Permit Administration (2023) (MOFCOM/GAC PN [2022] No. 41)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203376708.shtml>
- ▶ **Catalogue of Goods Subject to Export Permit Administration (2023) (MOFCOM PN [2022] No. 40)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203376706.shtml>
- ▶ **Catalogue of Goods Subject to Automatic Import Permit Administration (2023) (MOFCOM/GAC PN [2022] No. 39)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203376699.shtml>
- ▶ **PN regarding the 2023 “Catalogue of Dual-use Goods and Technologies Subject to Import & Export Permits Administration” (MOFCOM/GAC PN [2022] No. 42)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202212/20221203376668.shtml>
- ▶ **Notice regarding the “National Basic Catalog of Public Credit Information (2022 Version)” and the “National Basic List of Punishment Measures for Entities and Individuals Acting in Bad Faith (2022 Version)” (Fagaicaijingui [2022] No. 1917)**
https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj//202212/t20221230_1345067.html
- ▶ **Notice regarding public opinions consultation on the “Administrative Procedure Law of the PRC (Revised Draft)”**
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808181842c261c01856126d4870007>
- ▶ **PN regarding certain matters related to extending the trading hours of the inter-bank foreign exchange market (PBOC/SAFE PN [2022] No. 17)**
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4751668/index.html>
- ▶ **Notice regarding public opinions consultation on the “Financial Stability Law of the PRC (Draft)”**
<http://www.npc.gov.cn/flcaw/userIndex.html?lid=ff808181842c261c018561387f97009c>
- ▶ **Notice regarding rules for information disclosure of life insurance products with terms longer than one year**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1088640>
- ▶ **Notice regarding “Auditing Standards for Chinese Certified Public Accountants No. 1121 -- Identification and Assessment of Risks of Material Misstatement” and other standards (Caikuai [2022] No. 36)**
http://kjs.mof.gov.cn/zhengcefabu/202301/t20230103_3861825.htm

- ▶ **Notice regarding matters related to launching electronic documents for administrative license in the field of domestic waterway transport (Jiaobanshuihan [2023] No. 1)**
https://xxgk.mot.gov.cn/2020/jigou/syj/202301/t20230105_3734044.html
- ▶ **Notice regarding establishing a long-term mechanism for dynamic adjustment of interest rate policies on newly issued individual housing loans for first-time buyers**
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4755755/index.html>
- ▶ **Notice regarding measures for optimizing personnel exchanges between the mainland, Hong Kong and Macau**
http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3473592.html
- ▶ **PN regarding the implementation of the tariff adjustment plan and other policies for year 2023 (GAC PN [2022] No. 135)**
<http://gdfs.customs.gov.cn/customs/302249/2480148/4764270/index.html>
- ▶ **Catalogue of Customs of the PRC of standard declaration for import and export commodities (2023 version)**
<http://gdfs.customs.gov.cn/customs/302249/302270/302272/4764243/index.html>
- ▶ **PN regarding the trigger level of agricultural products imported from New Zealand for 2023 (GAC PN [2022] No. 134)**
<http://gdfs.customs.gov.cn/customs/302249/2480148/4764219/index.html>
- ▶ **Notice regarding matters related to the 2023 catalogue of commodities of customs statistics (Tongjiyan [2022] No. 45)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4769841/index.html>



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