

Issue No. 2023004
3 Feb 2023



2023

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

- ▶ **Public notice (PN) regarding extending the implementation period of certain preferential Individual Income Tax (IIT) policies (MOF/STA PN [2023] No. 2)**

Synopsis

Along with the China IIT reform, the Ministry of Finance (MOF) and State Taxation Administration (STA) had jointly issued a few tax circulars granting a transitional period in relation to certain previous IIT treatments abolished under the new IIT regime.



To further develop the innovation of enterprises and capital market, the MOF and STA once again jointly released a tax circular, i.e., MOF/STA PN [2023] No. 2 ("PN 2"), on 16 January 2023 to extend the transitional period of the following IIT treatments:

Favorable IIT treatments	Transition periods further granted
<p>IIT treatment on equity income from listed companies, i.e., where a resident individual receives qualifying equity income (e.g., stock options, stock appreciation rights, restricted stocks, stock awards) that meets the criteria as prescribed in existing circulars, such as Caishui [2005] No. 35 ("Circular 35", i.e., Notice regarding the IIT treatments for income derived from stock options), the IIT payable for such income shall be calculated as follows instead of being combined into the consolidated income:</p> <p>IIT payable = Equity income x Applicable tax rate - Quick reckoning deduction</p>	<p>From 1 January 2023 to 31 December 2023</p>
<p>Chinese Mainland (hereinafter referred to as "Mainland") individual investors are temporarily exempt from IIT in Mainland with respect to gains derived from trading of stocks on the Hong Kong Stock Exchange through the Shanghai/Shenzhen-Hong Kong Stock Connect Program and trading of Hong Kong securities investment funds via the Mainland-Hong Kong mutual recognition of funds.</p>	

Our People Advisory Services team has issued a WeChat news article (in Chinese) on 18 January 2023 to discuss PN 2 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 PN 2:

http://czj.jingzhou.gov.cn/news/czdt/202301/t20230129_809558.shtml

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

<https://mp.weixin.qq.com/s/YzQZnJnvp33iVCuxK0xgjA>

► **2022 Guidelines of the Guangdong-Macau In-depth Cooperation Zone in Hengqin (Hengqin) on the Declaration of Preferential IIT Policies by Macau Residents**

Synopsis

Pursuant to Caishui [2022] No. 3 ("Circular 3", i.e., Notice regarding the preferential IIT policy for Hengqin), the following qualifying individuals working in Hengqin can adopt the preferential IIT treatments:

- IIT imposed on Macau residents working in Hengqin that exceeds the tax burden in Macau shall be exempted.
- For domestic and overseas high-end or urgently needed talents working in Hengqin, the part of their IIT burden exceeding 15% shall be exempted.

Accordingly, the Hengqin Branch of Guangdong Provincial Tax Services, STA announced the 2022 Guidelines of Hengqin on the Declaration of Preferential IIT Policies by Macau Residents (hereinafter referred to as the "2022 Guidelines") which covered the timelines and methods of declaration and the documents required for Macau residents.

Specifically, the following timelines should be observed for Macau residents working in Hengqin:

Tax residency and categories of income received	Arrangements for the declaration
Macau residents who received consolidated income (i.e., salary included) from Hengqin for 2022	They should file for the IIT preferential treatment in the annual IIT filing to be completed from <u>1 March 2023 to 30 June 2023</u> .
Macau residents who received operating income from Hengqin for 2022	They should file for the IIT preferential treatment in the annual IIT filing to be completed from <u>1 January 2023 to 31 March 2023</u> .

It is also important to note that the Macau residents qualifying for the IIT preference should include permanent residents and non-permanent residents of Macau.

Macau individual taxpayers are advised to read the 2022 Guidelines and Circular 3 for details, while the detailed arrangements for the declaration by high-end and urgently needed talents working in Hengqin for Year 2022 are yet to be announced. We will keep an eye on any further developments and advise you accordingly, please stay tuned. If in doubt, consultations with professionals are always recommended.

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

https://guangdong.chinatax.gov.cn/gdsw/zhhqsw_tzgg/2023-01/17/content_a913da33a1f04c32b1a65036f80a9026.shtml

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

http://czt.gd.gov.cn/tzgg/content/post_3876408.html

Business circulars

► Measures for Further Encouraging the Establishment of Foreign-funded Research and Development (R&D) Centers (Guobanhan [2023] No. 7)

Synopsis

To increase support for foreign investment in establishing R&D centers in China and carry out scientific and technological research and innovation activities, recently the General Office of the State Council approved the “Measures for Further Encouraging the Establishment of Foreign-funded R&D Centers” and released it via Guobanhan [2023] No. 7 (“Circular 7”) on 11 January 2023.

Some key measures mentioned in Circular 7 are as follows:

Support technological innovation

► Optimize technological innovation services

Implement relevant preferential tax policies for technological innovation, optimize approval process, simplify application materials and provide more convenience for qualified foreign-funded R&D centers.

► Encourage basic research

Support foreign-funded R&D centers to use sizable scientific research instruments, scientific and technological reports and relevant data of major national scientific and technological projects according to law. Provide support for new-type foreign-funded R&D institutions that provide relevant services.

- ▶ Promote industry-college-research collaboration and innovation

Encourage colleges, scientific research institutions, vocational schools and foreign-funded R&D centers to cooperate in research and protect intellectual property rights of both sides.

- ▶ Support establishment of open innovation platforms

Support foreign investment in the establishment of open innovation platform-type R&D centers and enhance the guarantee of land, equipment, infrastructure, etc.

- ▶ Improve financial support

Encourage financial institutions to provide financial support for foreign-funded R&D centers to conduct technological innovation and basic and frontier research.

- ▶ Participate in government projects

Encourage and support foreign-funded R&D centers to undertake national scientific and technological tasks and participate in major national scientific and technological projects.

Facilitate R&D activities

- ▶ Support the cross-border flow of R&D data according to law.
- ▶ Optimize the administration of external intellectual property transfer and technology import and export.
- ▶ Optimize the customs clearance and supervision of scientific research materials.

Encourage the introduction of overseas talents

- ▶ Facilitate the long-term and permanent residence of overseas talents in China.
- ▶ Establish green channels for professional title evaluation of overseas high-end and urgently needed talents employed by foreign-funded R&D centers.
- ▶ Provide support of housing, children's education, spouse employment and medical security to qualified overseas high-end and urgently needed talents employed by foreign-funded R&D centers

Intellectual property protection

- ▶ Strengthen the judicial protection of trade secrets of market entities.
- ▶ Strengthen the construction of intellectual property protection centers.
- ▶ Fully implement the punitive compensation system for intellectual property infringement and strengthen the enforcement of administrative ruling.

Foreign investment enterprises and foreign investors are advised to read Circular 7 for details and make appropriate investment plan to enjoy the relevant preferences.

You can click this link to access the full contents of Circular 7:

http://www.gov.cn/zhengce/content/2023-01/18/content_5737692.htm

- ▶ **Administrative Measures for Credit Information Repair After Correction of Dishonest Acts (Trial) (NDRC Order [2023] No. 58)**

Synopsis

To regulate credit information repair and protect the legitimate rights and interests of credit entities, on 13 January 2023, the National Development and Reform Commission (NDRC) released the "Administrative Measures for Credit Information Repair After Correction of Dishonest Acts (Trial)" (hereinafter referred to as the "Administrative Measures") via NDRC Order [2023] No. 58.

Key features of the Administrative Measures are as follows:

Main ways of credit information repair

- ▶ Remove the credit entity from the list of seriously dishonest entities (seriously dishonest entities shall be subject to stricter review by relevant supervisory authorities).
- ▶ Stop publicizing administrative penalty information.
- ▶ Repair other dishonest information.

Repair of administrative penalty information

Where legal entities and non-legal entity organizations believe that the information of their administrative penalty publicized on the credit platform website is incorrect, the publicity period does not meet the requirements, or the administrative penalty decision is revoked or changed according to law, they may apply to the National Public Credit Information Center for correcting the information.

Legal entities and non-legal entity organizations can submit relevant materials to apply for early release from the system of publicizing administrative penalty information if the following conditions are all met:

- ▶ The obligations stipulated in the administrative penalty decision are fully performed and the illegal acts are corrected.
- ▶ The shortest publicity period has been reached.
- ▶ A public credit commitment is made.

Supervision and administration

In case a credit entity is found to have provided false materials or seriously untrue credit commitments when applying for credit information repair, it will be incorporated into the National Credit Information Sharing Platform. In addition, the information publicity will be conducted through the website of the credit platform for three years and early release would not be allowed. If criminal offence is found, relevant authority could pursue to impose legal liability.

The Administrative Measures shall become effective on 1 May 2023. Credit entities are advised to read the Administrative Measures for details and observe the regulations.

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

https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202301/t20230117_1346719.html

- ▶ **Notice regarding certain measures for supporting micro, small and medium-sized enterprises to stabilize growth, adjust structure and strengthen capacity (Gongxinbuqiyehan [2023] No. 4)**

Synopsis

To further stabilize growth and expectations, on 11 January 2023, the Office of the Leading Group on the Development of Small and Medium Enterprises of the State Council released Gongxinbuqiyehan [2023] No. 4 ("Circular 4") which aims to support micro, small and medium-sized enterprises to adjust the economic structure and strengthen capacity to achieve high-quality development.

Among these, it is stated in Circular 4 that the implementation of supporting policies for micro, small and medium-sized enterprises, such as those related to tax and fee reduction, and employment stabilization shall be further strengthened. Also, certain interim supporting policies which have become invalid by the end of 2022 shall be further optimized and adjusted.

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 Circular 4:

https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_0ac5cd8988084fff9e4a70da792baa10.html

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

- ▶ **Guiding opinions on promoting the development of data security industry (Gongxinbulianwangan [2022] No. 182)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2023/art_a8ef4985d9834d11a5b5495574e60480.html
- ▶ **Notice regarding the non-state refined oil (fuel oil) import quota, application conditions, allocation rules and relevant procedures of 2023 (MOFCOM PN [2023] No. 4)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202301/20230103379132.shtml>
- ▶ **Notice regarding public opinions consultation on the “Revision Draft of the Trademark Law of the People’s Republic of China (Discussion Draft)”**
http://www.cnipa.gov.cn/art/2023/1/13/art_75_181410.html
- ▶ **Notice regarding the commence of pilot insurance compensation mechanism for the application of the 2023 first batch of key new materials (Gongxintinglianyuanhan [2023] No. 10)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_12cb0a4dc43e492abc6d2e79db7b412f.html
- ▶ **Guiding opinions on promoting the development of energy electronics industry (Gongxinbuliandianzi [2022] No. 181)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2023/art_5fe76c58f263450ebc92c903427a6d12.html
- ▶ **List of Operational Service Charges Set by the Government (2023 Version) (NDRC PN [2023] No. 1)**
https://www.ndrc.gov.cn/xxgk/zcfb/gg/202301/t20230119_1347071.html
- ▶ **“Robotics +” Application Action Plan (Gongxinbuliantongzhuang [2022] No. 187)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_c2a9bacca5114e42b5e16ed5277923a8.html
- ▶ **Notice regarding public opinions consultation on the “Implementation Measures for Customs Risk Management (Discussion Draft)”**
<http://www.customs.gov.cn/customs/302452/302329/zjz/4806679/index.html>



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

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2023 Ernst & Young, China.
All Rights Reserved.

APAC no. 03016553
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

Follow us on WeChat

Scan the QR code and stay up-to-date with the latest EY news.

