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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

- ▶ Public notice (PN) regarding further implementing notification and commitment mechanism on certain tax certification items (税务证明事项告知承诺制) (STA PN [2023] No. 2)
- ▶ PN regarding implementing fault-tolerant mechanism (容缺办理) for certain tax matters and further simplifying tax-related documentation requirements (STA PN [2022] No. 26)

Synopsis

To constantly deepen the reform of “delegate power, streamline administration and optimize government services” in tax area and optimize the business environment, on 5 January 2023, the State Taxation Administration (STA) released STA PN [2023] No. 2 (“PN 2”) to further implement the notification and commitment mechanism on certain tax certification items.

Key features of PN 2 are as follows:

- Implement the notification and commitment mechanism nationwide on six tax certification items as listed in the “Category of Tax Certification Items Subject to the Notification and Commitment Mechanism” (see Annex 1 to PN 2 for details), such as Certificate of Family Members’ Information and Certificate of Family’s Only Residential Property (for Individual Income Tax exemption purpose on transfer of the property).
- Forms of commitment, legal liability and situations where the notification and commitment mechanism on tax certification items shall not apply should all follow the relevant provisions in STA PN [2021] No. 21 (“PN 21”, i.e., PN regarding implementation of notification and commitment mechanism on certain certification items to further improve tax services).
- Tax authorities shall publish the list of tax certification items that are subject to the notification and commitment mechanism and the template of commitment letter through tax service branches and official websites (see Annex 2 to PN 2 for details). Taxpayers can download electronic copy or request paper template of commitment letter from the tax authorities.

In addition, on 20 December 2022, the STA released STA PN [2022] No. 26 (“PN 26”) with respect to implement the fault-tolerant mechanism for certain tax matters and further simplify tax-related documentation requirements.

Key features of PN 26 are as follows:

Handle tax matters under fault-tolerant mechanism

- Taxpayers who qualify for the fault-tolerant mechanism can select to handle tax matters that are included in the “Lists of Tax Matters Subject to Fault-tolerant Mechanism and Materials Requirement” (see Annex 1 to PN 26 for details).

- Supplement and correct materials

Taxpayers can supplement or correct materials under the fault-tolerant mechanism by on-site submission, postal delivery or other methods approved by the tax authorities within 20 working days.

- Situations that cannot apply fault-tolerant mechanism
 - Parties with serious tax-related illegal and dishonest acts.
 - Taxpayers who fail to submit supplementary and corrected materials within the time limit set out by the fault-tolerant mechanism.

Simplify the submission of materials

- Tax-related materials exempt from submission

When handling the tax matters that are included in the “List of Tax-related Materials Exempt from Submission” (see Annex 4 to PN 26 for details), taxpayers are not required to submit certain materials to the tax authorities.

- Retain tax-related materials for future reference

When handling the tax matters that are included in the “List of Tax-related Materials Retained for Future Reference” (see Annex 5 to PN 26 for details), taxpayers no longer need to submit certain relevant materials to the tax authorities but should retain the materials for future reference and shall bear legal liability for the authenticity and legality of the information.

PN 26 became effective on 1 February 2023 and PN 2 will become effective on 1 March 2023. Taxpayers are advised to read these notices for details and observe the regulations when handling relevant tax matters. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 2:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5183770/content.html>

You can click this link to access the full contents of PN 21:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5166619/content.html>

You can click this link to access the full contents of PN 26:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5183829/content.html>

- ▶ Notice issued by the Shanghai Municipal Tax Service, STA regarding expanding the pilot run of fully digitalized e-invoices (Shanghai Municipal Tax Service, STA Notice [2023] No. 1)

Synopsis

As the promotion of fully digitalized e-invoices continues, on 20 January 2023, Shanghai Municipal Tax Service, STA released Shanghai Municipal Tax Service, STA Notice [2023] No. 1 ("Notice 1") announcing that newly established and registered taxpayers in Shanghai are included in the pilot scope of fully digitalized e-invoicing since the promulgation date of Notice 1. Accordingly, all taxpayers covered in the pilot in Shanghai are no longer required to collect special Value-added Tax (VAT) electronic invoices and general VAT electronic invoices from the tax authorities. The same practice has been rolled out in Guangdong Province (excluding Shenzhen) after the issuance of Guangdong Provincial Tax Service, STA Notice [2022] No. 13 ("Notice 13") in October 2022.

Besides, so far, according to the relevant circulars issued by tax authorities at the local level, 10 provinces/autonomous regions/municipalities, including Shanghai, Guangdong Province, Inner Mongolia Autonomous Region, Sichuan Province, Xiamen, Chongqing, Dalian, Qingdao, Shaanxi Province and Tianjin have been able to issue fully digitalized e-invoices with a nationwide scope of invoice recipients.

We have issued a WeChat news article (in Chinese) on 7 February 2023 to discuss fully digitalized e-invoices 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.

Relevant taxpayers are advised to read circulars and guidance released by tax authorities at the local level for details and comply with the invoicing regulations. 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 Notice 1:

<http://shanghai.chinatax.gov.cn/zcfw/zcfgk/swzsgl/202301/t465817.html>

You can click this link to access the full contents of Notice 13:

https://guangdong.chinatax.gov.cn/gdsw/tzgg/2022-10/28/content_b284cb64965b4bccbfd1387d04825bdc.shtml

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

https://mp.weixin.qq.com/s/M7x6S4Y_a2gHrPYso_IJwA

- ▶ PN regarding tax policies on cross-border e-commerce returned export goods (MOF/GAC/STA PN [2023] No. 4)

Synopsis

To speed up the development of exportation of cross-border e-commerce, the Ministry of Finance, General Administration of Customs and STA jointly released MOF/GAC/STA PN [2023] No. 4 ("PN 4") on 30 January 2023 to specify tax policies on cross-border e-commerce returned export goods.

According to PN 4, by 30 January 2024, return of goods exported under cross-border e-commerce (i.e., HS codes 1210, 9610, 9710 and 9810) shall be subject to the following treatments if they are returned within six months after exportation due to goods redundant or return of sales (except for food products):

- Import-level Customs Duty (CD), VAT and Consumption Tax (CT) are exempted.
- Any CD imposed at the time of the previous exportation shall be refunded while the relevant VAT and CT shall be handled as that for domestic sales.
- Where export tax refund was applied for the previous exportation, the refunded taxes should be returned.

Relevant taxpayers are encouraged to read PN 4 for more details and observe the regulations. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 4:

http://www.gov.cn/zhengce/zhengceku/2023-02/02/content_5739772.htm

Business circular

- Notice regarding adjusting the procedures for information change of national technology business incubators (TBIs) and national makerspaces (Guokefahuo [2023] No. 3)

Synopsis

To further optimize the business environment and create a good ecology of innovation and entrepreneurship, the Ministry of Science and Technology (MOST) released Guokefahuo [2023] No. 3 ("Circular 3") on 19 January 2023 to adjust the procedures for information change of national TBIs and national makerspaces.

According to Circular 3, certain information changes of national TBIs and national makerspaces such as their registered names, site area and address are required to be reported to local supervising government authorities for approval (consent from the MOST is no longer required).

It is worth-noting that, according to the current rules, any qualifying TBIs/makerspaces failed to complete the alteration process within a prescribed timeframe may be disqualified and they would then not be able to enjoy the preferential tax treatments¹ as prescribed in Caishui [2018] No. 120 ("Circular 120", i.e., Notice regarding tax policies for TBIs, university science parks and makerspaces).

Relevant entities are advised to read Circular 3 and act accordingly.

¹ According to Circular 120, qualifying national TBIs and national makerspaces (that have completed the record filing procedures for makerspaces as required) shall be eligible for the following preferential tax policies during the period from 1 January 2019 to 31 December 2023:

- Real estates and lands used by qualifying TBIs and national makerspaces or rented, provided for free to their incubated targets (i.e., business start-ups) shall be exempt from Real Estate Tax and Urban Land Usage Tax.
- Income derived by qualifying TBIs and national makerspaces from provision of incubation services (i.e., agency services, operating rental services, research and development services, information technology services, as well as attestation and consultation services) to their incubated targets shall be exempt from VAT, provided that such income is accounted for separately from other types of income.

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

<http://www.chinatorch.gov.cn/kjb/tzgg/202302/c29290bbc357400685e8564b644c24e2.shtml>

You can click this link to access the full contents of Circular 120:

<http://www.chinatax.gov.cn/n810341/n810755/c3855604/content.html>

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

- ▶ Notice regarding public opinions consultation on the “Tax Reform Proposals-Legislative Proposal for BEPS Pillar Two” (Caikuaibianhan [2023] No. 1)
<https://www.casc.org.cn/2023/0119/237707.shtml>
- ▶ Notice regarding the list of 2023 import & export permit issuers (MOFCOM [2022] No. 45)
<http://xkzj.mofcom.gov.cn/article/h/fzjg/202301/20230103380387.shtml>
- ▶ PN regarding the procedure for identification of solid waste of imported goods (MEE/GAC PN [2023] No. 2)
https://www.mee.gov.cn/xxgk2018/xxgk/xxgk01/202301/t20230117_1013566.html
- ▶ Implementation regulations on administrative approval items in charge of the Ministry of Industry and Information Technology
https://www.miit.gov.cn/xwdt/gxdt/sjdt/art/2023/art_56f7b63ae8b247798b81a45367ab40ca.html
- ▶ PN regarding fully implementing electronic patent certificates (CNIPA PN [2023] No. 515)
https://www.cnipa.gov.cn/art/2023/1/29/art_74_181610.html
- ▶ Opinions on actively carrying out risk-reduction services in the property insurance industry
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1093486>
- ▶ Opinions on supporting railway transportation of new energy commercial vehicles and serving the development of new energy vehicle industry (Guotieyunshujian [2023] No. 4)
http://www.gov.cn/zhengce/zhengceku/2023-01/30/content_5739162.htm
- ▶ Notice regarding measures on linkage of drug administrative law enforcement and criminal justice (Guoyaojianfa [2022] No. 41)
http://www.gov.cn/zhengce/zhengceku/2023-01/31/content_5739391.htm
- ▶ Notice regarding transitional arrangements of administrative approval items for full implementation of the registration-based initial public offering (IPO) system
<http://www.csrc.gov.cn/csrc/c100028/c7047622/content.shtml>
- ▶ Notice regarding the evaluation and rectification of national university science parks (Guokebanqu [2023] No.6)
https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgknr/qtwt/qtwt2023/202301/t20230129_184437.html
- ▶ Notice regarding the commencement of the 2022 technology statistical survey (Guokefagui [2023] No. 1)
http://www.gov.cn/zhengce/zhengceku/2023-02/02/content_5739767.htm
- ▶ Notice regarding six policy measures for facilitating business handling for overseas Chinese citizens (Gongjiaoguan [2023] No. 11)
http://www.gov.cn/zhengce/zhengceku/2023-02/02/content_5739642.htm
- ▶ Notice regarding matters related to export food manufactures’ applications for overseas registration (Shujifa [2023] No. 9)
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/4829508/index.html>
- ▶ PN regarding the trigger volumes of two types of agricultural products imported from Australia in 2023 (GAC PN [2023] No. 5)
<http://www.customs.gov.cn/customs/302249/2480148/4825723/index.html>
- ▶ PN regarding changing the address of the online customs statistics inquiry platform (GAC PN [2023] No. 6)
<http://www.customs.gov.cn/customs/302249/2480148/4826127/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

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ED None.

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