

Issue No. 2023010

17 Mar 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

- ▶ **Notice issued by the Shanghai Municipal Tax Service, State Taxation Administration (STA) regarding matters related to the 2022 annual Corporate Income Tax (CIT) filing of resident enterprises in Shanghai**
- ▶ **Notice issued by the Beijing Chaoyang District Tax Service, STA regarding matters related to the 2022 annual CIT filing**

Synopsis

Recently certain tax authorities at the local level announced notices regarding the arrangements related to the 2022 annual CIT filing which is due on 31 May 2023. We take the notices released by the Shanghai Municipal Tax Service and Beijing Chaoyang District Tax Service as examples to highlight below some key information that taxpayers should pay special attention:

- ▶ Changes of the 2022 annual CIT filing package

Taxpayers should note the changes made on the updated 2022 annual CIT filing package announced via STA PN [2022] No. 27 ("PN 27", i.e., Public notice (PN) regarding matters related to annual CIT filing).

► CIT refund

Starting from 2021 annual CIT filing, taxpayers who have overpaid their CIT in provisional CIT filings should apply for a CIT refund and such overpaid CIT cannot be used to set off against future CIT payables. As such, relevant taxpayers should formally apply for the CIT refund timely after the completion of their annual CIT filing.

► Automatic health check system

Shanghai taxpayers are advised to submit their financial statements at least one day before they complete the annual CIT filing to make use of the automatic tracking function of the current CIT filing system. In this respect, the system function will scan and perform analysis and summarize possible issues in a health check report. Taxpayers should then read the red flags and make corrections (if any) to mitigate tax risks.

Taxpayers of other areas should also stay alert to the notices released by their supervising tax authorities to utilize such function in lowering their tax risks.

► Self-assessment and supporting documents

Taxpayers should perform self-assessment to determine whether CIT preferential treatments are applicable before they apply for the CIT preferential treatments in the annual CIT filing by filling out the CIT returns and maintain the relevant documents.

► Shanghai taxpayers engaging in key industries/activities

Shanghai taxpayers that engage in certain key industries and enjoy the corresponding CIT preferential policies (e.g., integrated circuit manufacturing/design and software enterprises) are required to transmit the softcopies of the relevant documents to Shanghai Electronic Taxation Bureau upon completion of the annual CIT filing.

According to the Notice issued by Shanghai Municipal Tax Service, STA, Shanghai taxpayers that engage in research and development (R&D) activities and enjoy the R&D super deduction policy may choose to use the simplified version of subsidiary ledgers (i.e., format and explanatory notes are set out in Attachments I and II of STA PN [2021] No. 28 ("PN 28", i.e., PN regarding certain matters related to further implementing the policies for super deduction of R&D expenses)) or the format of subsidiary ledgers announced by the Shanghai Municipal Tax Service, STA.

► Corrections made on the CIT filing packages

Any additional CIT payments due to corrections made on or before 31 May 2023 are not subject to late payment surcharge. A taxpayer who finds an error made in the annual CIT filing after the filing deadline may correct the filing, however, if the correction results in any CIT underpayment, it will be subject to late payment surcharge starting from 1 June 2023.

Taxpayers are advised to read the notices and guidance released by their supervising tax authorities and plan ahead before submitting their annual CIT filing packages. If in doubt, earlier consultations with professionals or the supervising tax authorities are always recommended. Also, taxpayers should check and ensure all supporting documents are in place and sufficient for supervising tax authorities' future inquiry.

We have issued a WeChat news article on 22 February 2023 (in Chinese only) regarding the 2022 annual CIT filing, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE or click the link below to access the full contents of the WeChat news article.

You can click this link to access the full contents of the Notice released by Shanghai Municipal Tax Service:
<https://shanghai.chinatax.gov.cn/xwdt/ztzl/zcgll/hsqjzl/bslcqy/202303/t466359.html>

You can click this link to access the full contents of the Notice released by Beijing Chaoyang District Tax Service:
<http://beijing.chinatax.gov.cn/bjswj/c104539/202303/ef6fde5967444d85a52539b0884268fc.shtml>

You can click this link to access the full contents of PN 28:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5169007/content.html>

You can click this link to access the full contents of PN 27:

<http://www.chinatax.gov.cn/chinatax/n362/c5183636/content.html>

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

https://mp.weixin.qq.com/s/fEyPpTvAlcB_ueRI-GTyBQ

Business circular

► **Operational Guidelines for Support Measures of Guangdong-Macau In-depth Cooperation Zone in Hengqin on the Development of Macau-funded Enterprises**

Synopsis

To implement the “Support Measures of Guangdong-Macau In-depth Cooperation Zone in Hengqin on the Development of Macau-funded Enterprises” (hereinafter referred to as the “Measures”), the Economic Development Bureau of the Guangdong-Macau In-depth Cooperation Zone in Hengqin issued the Operational Guidelines for the Measures (hereinafter referred to as the “Guidelines”) on 28 February 2023. The Guidelines introduced the relevant application conditions, materials and procedures for applying for the subsidies and rewards as specified in the Measures.

Conditions

Macau-funded enterprises eligible for the prescribed subsidies and rewards should be legal entities or non-legal-entity professional service institutions established in the Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as the “Cooperation Zone”) that meet the shareholding ratio requirements specified in the Guidelines.

Subsidies and rewards

► Subsidies for rental of office and commercial buildings

The Cooperation Zone will subsidize the rental of office and commercial buildings in the Cooperation Zone in proportion. One enterprise can be subsidized for up to 36 consecutive months.

► Subsidies for interior finishing of commercial buildings

Macau-funded enterprises can apply for interior finishing subsidies after renting commercial buildings or purchasing commercial buildings for self-operated stores. Projects eligible for such subsidies should be fixture projects only, i.e., not including soft decoration and design.

► Subsidies for research and development (R&D)

Annual R&D expenses declared by a reporting entity should be invested by its own funds, and the subsidies used by the reporting entity should be deducted when calculating the annual R&D expenses.

In addition, the Cooperation Zone will also provide subsidies and rewards for exhibition, brand promotion and business operation (see the Guidelines for details of application materials and procedures). Enterprises to enjoy the above awards and subsidies should submit application materials in accordance with the provisions of the Guidelines.

Legal responsibilities

Applicants shall ensure the completeness, authenticity, accuracy and legality of their application materials, and shall bear relevant legal responsibilities of the materials submitted.

Macau-funded enterprises in the Cooperation Zone or relevant investors who plan to invest in the area are advised to read the Guidelines for details and consider the preferences offered.

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

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3490587.html

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

https://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_1042697.html

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

- ▶ **Official Explanation of the Plan on Reforming State Council Institutions**
http://www.gov.cn/guowuyuan/2023-03/08/content_5745356.htm
- ▶ **Notice regarding the “Implementation Measures of the Shenzhen Stock Exchange on Shenzhen-Hongkong Stock Connect (2023 Revised)” and related matters (Shenzhengshang [2023] No. 153)**
http://www.szse.cn/lawrules/rule/allrules/bussiness/t20230303_599082.html
- ▶ **Notice regarding the “Implementation Measures of the Shanghai Stock Exchange on Shanghai-Hongkong Stock Connect (2023 Revised)” and related matters (Shangzhengfa [2023] No. 53)**
http://www.sse.com.cn/lawandrules/sselawsrules/global/hkexsc/c/c_20230303_5717367.shtml
- ▶ **Notice regarding further improving the pilot program of joint credit granting (Yinbaojianbanfa [2023] No. 12)**
http://www.gov.cn/zhengce/zhengceku/2023-03/04/content_5744504.htm
- ▶ **2023 National Work Plan on Intellectual Property Administrative Protection (Guozhifabaozi [2023] No. 4)**
https://www.cnipa.gov.cn/art/2023/3/7/art_75_182580.html
- ▶ **Report on the implementation of the central and local budgets in 2022 and the review of the draft central and local budgets for 2023**
<http://www.npc.gov.cn/npc/kgfb/202303/cc488c4ddad44e6198f273da20c9d0c8.shtml>
- ▶ **PN regarding the approval and confirmation on tax reduction and exemption for the goods donated by foreign governments and international organizations and those imported by China for the performance of international treaties (GAC PN [2023] No. 20)**
<http://www.customs.gov.cn/customs/302249/2480148/4878653/index.html>
- ▶ **Decisions on abolishing certain regulations (GAC Order [2023] No. 261)**
<http://www.customs.gov.cn/customs/302249/2480148/4878236/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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