



# 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.

## Business circulars

- ▶ **Decisions on the implementation of the 2022 plan for national economic and social development and on the 2023 plan for national economic and social development**
- ▶ **Decisions on the implementation of the central and local budgets for 2022 and the draft central and local budgets for 2023**

### Synopsis

The 14th National People's Congress deliberated the implementation of the 2022 plan for national economic and social development (hereinafter referred to as the "2022 Plan") and approved the 2023 plan for national economic and social development (hereinafter referred to as the "2023 Plan") at its first session on 13 March 2023. Some tax policies related topics were mentioned in the Plans and they are as follows:

#### Policy implementation in 2022

In 2022, macroprudential policies were implemented and remained stable. In respect of tax policies, China's tax refunds as well as tax and fee cuts and deferrals exceeded RMB4.2 trillion, including RMB2.46 trillion of Value-added Tax (VAT) credit refunds in 2022 amid the country's efforts to stabilize the macroeconomy.

## Policy trends in 2023

According to the macroeconomic trends proposed in the 2023 Plan, China will continue to implement proactive fiscal policies and prudent monetary policies, and further deepen institutional reforms in the fields of taxation, finance and capital markets.

Furthermore, the 14th National People's Congress also deliberated the implementation of central and local budgets for 2022 and the draft central and local budgets for 2023 and released a review report (hereinafter referred to as the "Report") at its first session. Tax policy trends in 2023 proposed in the Report are as follows:

- ▶ Continue to deepen tax reform and further accelerate tax legislation.
- ▶ Continue to improve tax and fee incentives, optimize business environment for corporates, especially the private sector, and support the development of micro, small and medium-sized enterprises, self-employed industrial and commercial households.
- ▶ Make greater efforts to promote consumption. Provide tax incentives for the consumption of new energy vehicles and energy-efficient products.
- ▶ Align the VAT deduction chain. Optimize Consumption Tax (CT) collection and adjust tax rates, steadily promote the delegation of CT collection to local.
- ▶ Optimize the scope of consolidated income subject to Individual Income Tax and improve specific additional deductions and related standards.
- ▶ Promote revision to the Budget Law and Tax Collection and Administration Law, and the legislation on VAT, CT, customs duties, etc.

Interested parties are advised to read the above-mentioned Plans and Report for details. We have issued a WeChat news article on 21 March 2023 (in Chinese only) to discuss these topics 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 Plans:

<http://www.npc.gov.cn/npc/c30834/202303/56a890073602449985af8b6154d9b7db.shtml>

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

<http://www.npc.gov.cn/npc/c30834/202303/24ee7951c518453aaff00fa43e72dd2e.shtml>

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

[https://mp.weixin.qq.com/s/Pzv6cQrYr7iR4XtkKRk\\_Dg](https://mp.weixin.qq.com/s/Pzv6cQrYr7iR4XtkKRk_Dg)

### ▶ **Rules on the Recognition of Substantive Operation of Enterprises in the Guangdong-Macau In-depth Cooperation Zone in Hengqin (Yueaoshenhezhizi [2023] No. 10)**

#### **Synopsis**

To promote the development of Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as "Hengqin"), various supporting policies (e.g., the financial awards/subsidies for qualifying enterprises engaging in finance sector, medium, small and micro-sized enterprises) have been announced and implemented alongside with the preferential Corporate Income Tax (CIT) Policies for Hengqin<sup>1</sup>.

To be qualified for this CIT preference, an enterprise is required to meet certain criteria, including having "substantive manufacturing/business operations" in Hengqin. On 1 February 2023, the Tax Service, State Taxation Administration (STA), Finance Bureau, Commercial Service Bureau, Economic Development Bureau and Financial Development Bureau of Hengqin jointly released PN [2023] No. 1 ("PN 1", i.e., Public notice (PN) regarding matters related to substantive operations of qualified industrial enterprises in Hengqin) to elaborate the four key factors as follows for assessing "substantive manufacturing/business operations" and other relevant requirements:

- ▶ Key factor I - carrying out manufacturing/business operations in Hengqin
- ▶ Key factor II - with sufficient staff in Hengqin
- ▶ Key factor III - with accounting records maintained in Hengqin
- ▶ Key factor IV - with assets placed in Hengqin

For consistency purpose, the Hengqin Executive Committee issued Yueaoshenhezhizi [2023] No. 10 (“Circular 10”) on 16 March 2023 to specify when applying for the awards, financial subsidies or other applications as mentioned in Circular 10 for year 2023 and onwards, an applicant should perform self-assessment on its “substantive manufacturing/business operations” based on the above factors as prescribed in PN 1. For those applications for year 2022, the relevant criteria should still be referenced to the relevant policies.

Circular 10 became effective from 1 January 2023 and shall be valid for five years. Relevant parties are advised to read Circular 10 and PN 1 for details to fully leverage the tax and financial incentives in Hengqin. If in doubt, consultations with professionals are always recommended.

<sup>1</sup> Qualifying enterprises registered in Hengqin and engaged in substantive business in encouraged industries shall be subject to CIT at a reduced rate of 15%.

You can click this link to access the full contents of Circular 10:

<http://www.hengqin.gov.cn/attachment/0/330/330417/3498678.pdf>

You can click this link to access the full contents of PN 1 and its official interpretation:

[https://guangdong.chinatax.gov.cn/gdsw/zhhqsw\\_tzgg/2023-02/17/content\\_680cf0a9e5414af8a233261227b5a5c8.shtml](https://guangdong.chinatax.gov.cn/gdsw/zhhqsw_tzgg/2023-02/17/content_680cf0a9e5414af8a233261227b5a5c8.shtml)

## ► **Decision on revising the “Legislation Law of the People’s Republic of China (PRC)” (Chairman Order [2023] No. 3)**

### **Synopsis**

On 13 March 2023, the Decision on revising the “Legislation Law of the PRC” was adopted during the first session of the 14th National People’s Congress. This has been the second revision of the “Legislation Law of the PRC” (hereinafter referred to as the “Revised Law”) since 2015.

Notably, the following revisions (underlined) are made in Article 16 of the Revised Law:

The National People's Congress and its Standing Committee may decide to authorize temporary adjustment to or suspension of certain provisions of applicable laws within a prescribed time limit and scope with regard to certain specific matters based on the needs of reform and development.

If the legal provisions temporarily adjusted or suspended have been proven to be feasible, the National People's Congress and its Standing Committee shall revise the relevant laws in a timely manner; if the conditions for making such revisions are not met, the National People's Congress and its Standing Committee may extend the authorization period, or resume the implementation of the relevant legal provisions prior to the temporary adjustments or suspension.

Besides, there are multiple changes made in the Revised Law to address the constitutionality and legality by the special committee and the standing committee in the exercise of their review functions as well as supporting local collaborative legislation, etc.

Relevant parties are encouraged to read the full contents of the Revised Law for more details.

You can click this link to access the full contents of the Decision on the Revised Law:

<http://www.npc.gov.cn/npc/kgfb/202303/b48e68f0568442f6a2ca2800c8d795b2.shtml>



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

- ▶ **Notice regarding the “List of Vehicle Manufacturers and Products (368th Batch)”, “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (47th Batch)” and “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (63rd Batch)” (MIIT PN [2023] No.6)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art\\_4b1f4e1cb83a43cbaabbf2dc649e3f4f.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art_4b1f4e1cb83a43cbaabbf2dc649e3f4f.html)
- ▶ **Guidelines on Intellectual Property Rights Related Government Service Items (CNIPA PN [2023] No. 519)**  
[https://www.cnipa.gov.cn/art/2023/3/10/art\\_562\\_182688.html](https://www.cnipa.gov.cn/art/2023/3/10/art_562_182688.html)
- ▶ **Notice regarding travel agencies resuming outbound group tours to certain countries for Chinese citizens (second batch) (Wenlvfadian [2023] No. 81)**  
[http://www.gov.cn/zhengce/zhengceku/2023-03/10/content\\_5745908.htm](http://www.gov.cn/zhengce/zhengceku/2023-03/10/content_5745908.htm)
- ▶ **Implementation Measures of the Ministry of Science and Technology on Administrative Penalties (MOST Order [2023] No. 20)**  
[https://www.most.gov.cn/xxgk/xinxifenlei/zc/qz/202303/t20230314\\_185107.html](https://www.most.gov.cn/xxgk/xinxifenlei/zc/qz/202303/t20230314_185107.html)
- ▶ **Notice regarding further adjusting visa and entry policies for foreigners coming to China**  
[http://www.gov.cn/xinwen/2023-03/14/content\\_5746607.htm](http://www.gov.cn/xinwen/2023-03/14/content_5746607.htm)
- ▶ **Notice regarding typical cases of violating the negative list for market access (fifth batch) (Fagaibantigai [2023] No. 168)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202303/t20230316\\_1351032.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202303/t20230316_1351032.html)
- ▶ **Notice regarding the 2022 record-filling of accounting firms (Caibankuai [2023] No. 5)**  
[http://czj.sh.gov.cn/zys\\_8908/zcfg\\_8983/zcfb\\_8985/hj\\_9035/hjssws\\_9041/20230315/cac30962988b47e9ab3d25d4daf45349.html](http://czj.sh.gov.cn/zys_8908/zcfg_8983/zcfb_8985/hj_9035/hjssws_9041/20230315/cac30962988b47e9ab3d25d4daf45349.html)
- ▶ **Notice regarding measures for building a new development pattern and promoting the high-quality development of border and cross-border economic cooperation zones (Shangzifa [2023] No. 18)**  
<http://www.mofcom.gov.cn/article/zcfb/zcwgtz/202303/20230303396253.shtml>
- ▶ **Plan on Reform of Party and State Institutions**  
[http://www.gov.cn/zhengce/2023-03/16/content\\_5747072.htm](http://www.gov.cn/zhengce/2023-03/16/content_5747072.htm)
- ▶ **Notice regarding improving the administrative policy for foreign-related commercial performances**  
[https://zwgk.mct.gov.cn/zfxxgkml/scgl/202303/t20230316\\_940722.html](https://zwgk.mct.gov.cn/zfxxgkml/scgl/202303/t20230316_940722.html)
- ▶ **PN regarding inspection of imported cement (GAC PN [2023] No. 21)**  
<http://www.customs.gov.cn/customs/302249/2480148/4885549/index.html>
- ▶ **Decisions on revising certain documents (GAC Order [2023] No. 262)**  
<http://www.customs.gov.cn/customs/302249/2480148/4883023/index.html>





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