



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.

Key tax circulars for this issue

► **Public notice (PN) regarding further optimizing the policy on super deduction of research and development expenditures (MOF/STA PN [2023] No. 7)**

With the ongoing policy on encouraging research and development activities by offering corporate income tax (CIT) super deduction, the 200% super deduction of R&D expenses (instead of previously 175%) took effect on 1 January 2023 without a specific sunset clause:

- Enterprises are allowed to claim a 200% super deduction on eligible R&D expenses actually incurred for CIT purposes.
- Enterprises can also amortize the intangible assets based on 200% of the actual costs incurred, if the R&D expenses incurred have been capitalized.



The R&D super deduction policy applies to almost all enterprises, with the **exceptions** set for those engaging in:

- ▶ wholesale and retail
- ▶ tobacco manufacturing
- ▶ hospitality and catering
- ▶ real estate development
- ▶ leasing and other business services
- ▶ entertainment
- ▶ other industries to be specified by the Ministry of Finance (MOF) and State Taxation Administration (STA)

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

http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874849.htm

▶ **PN regarding preferential income tax policies for small and micro-sized enterprises (SMEs) and self-employed industrial/commercial households (MOF/STA PN [2023] No. 6)**

For the period from 1 January 2023 to 31 December 2024, qualifying SMEs and self-employed industrial and commercial households are granted with the following income tax preferences:

- ▶ Qualifying SMEs: 75% reduction on the part of taxable income not exceeding RMB1 million (approximately USD0.15 million) for CIT calculation purposes with the applicable CIT rate of 20% , i.e., the effective tax rate is 5%.

Qualifying SMEs refers to those engaged in non-restricted and prohibited industries and at the same time meeting the following thresholds:

- ▶ annual taxable income does not exceed RMB3 million
 - ▶ the number of employees does not exceed 300 people; and
 - ▶ total assets do not exceed RMB50 million
- ▶ Self-employed industrial and commercial households: 50% reduction on the part of taxable business operation income below RMB1 million for IIT calculation purpose. Other prevailing applicable IIT preferential treatments remain unchanged.

You can click this link to access the full contents of PN 6:

http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874806.htm

▶ **PN regarding extending the implementation period of Urban Land Use Tax (ULUT) incentive for bulk commodity storage facilities owned or used by logistics enterprises (MOF/STA PN [2023] No. 5)**

For the period from 1 January 2023 to 31 December 2027, logistics enterprises are allowed to calculate ULUT for their land used (rent out, leased or self-used) for qualifying bulk commodity storage facilities with a 50% reduction on the applicable ULUT rates.

The quantitative criteria for a qualifying bulk commodity storage facility is its area has to be 6,000 square meters or larger. PN 5 also provides the detailed list of commodities the qualifying facility to be used for.

It is specified that land used for logistics enterprises' office areas, staff quarters or other purposes which are not directly used for bulk commodity warehousing are not eligible for this tax rate reduction.

For the tax paid before the announcement of this policy that are subject to the reduction, the taxpayers can apply for credit or refund in the tax payable.

You can click this link to access the full contents of PN 5:

http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874863.htm

► **PN regarding extending the implementation period of the provisional zero-tariff policy for coal imports (Customs Tariff Commission PN [2023] No. 3)**

The Customs Tariff Commission issued PN 3 announcing a further extension on the provisional zero-tariff policy for the importation of coal. The policy was to expire on 31 March 2023 and now will be maintained as valid for the period between 1 April 2023 and 31 December 2023.

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

http://gss.mof.gov.cn/qzdt/zhengcefabu/202303/t20230324_3874696.htm

► **Notice regarding formulating the list of integrated circuit (IC) enterprises (projects) and software enterprises eligible for preferential tax policies in 2023 (Fagaigaoji [2023] No. 287)**

On 17 March 2023, five central government authorities including the MOF and STA jointly released Fagaigaoji [2023] No. 287 ("Circular 287") to clarify that, for the purpose of claiming applicable tax incentives for year 2023, both the criteria and the application procedures for eligible IC enterprises/projects stay unchanged as that for Year 2022.

Taxpayers applying for eligible IC enterprise status in 2023 list shall submit applications through the online system (<https://yyglxxbs.ndrc.gov.cn/xxbs-front/>) from 25 March 2023 to 16 April 2023, along with relevant paper documentations submitted to the competent authority.

Enterprises that have been included in the list for Year 2022 need to re-apply in the system to enjoy the preferential tax treatment for Year 2023.

Applicant is allowed to claim the preferential tax treatment in its tax filing in advance (before the list is officially announced) while the tax benefit claimed shall be clawed back if the final list shows that the taxpayer is not eligible.

You can click this link to access the full content of Circular 287:

https://www.ndrc.gov.cn/xxgk/zcfb/tz/202303/t20230322_1351547.html

► **Guidance for Management Protocol of Electronic Invoice (E-invoices)**

On 22 March 2023, the general office of the National Archives Administration, SAT, MOF, and Ministry of Commerce jointly announced the Guidance for Management Protocol of Electronic Invoice (the Guidance) to provide a comprehensive guidance on issuing, receiving, reimbursing, recording, archiving of all E-invoices including VAT invoices.

Taxpayers are encouraged to read through the Guidance to manage the compliance risk related to E-invoices. If in doubt, consultation with professionals is always recommended.

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

<https://www.saac.gov.cn/daj/tzgg/202303/8b9ee296b4b14f9388761377a302de56.shtml>

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

► **Notice regarding the organizational structure of the State Council (Guofa [2023] No. 5)**

http://www.gov.cn/zhengce/content/2023-03/20/content_5747309.htm

► **Notice regarding national bureaus established under ministries and commissions (Guofa [2023] No. 6)**

http://www.gov.cn/zhengce/content/2023-03/20/content_5747311.htm

- ▶ **Working protocols of the State Council (2023) (Guofa [2023] No. 7)**
http://www.gov.cn/zhengce/content/2023-03/24/content_5748128.htm
- ▶ **Notice regarding further promoting the updating, upgrading and application of energy-saving standards (Fagaihuanziqui [2023] No. 269)**
https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj/202303/t20230317_1351321.html
- ▶ **Public consultation draft of the “Guiding Catalog of Green Industries (2023 Version)”**
<https://yyglxxbsgw.ndrc.gov.cn/htmls/article/article.html?articleId=2c97d16b-8678801b-0186-e9501f66-0000#iframeHeight=805>
- ▶ **Public consultation draft of the “Measures on the Supervision and Administration of Derivative Trading”**
<http://www.csrc.gov.cn/csrc/c101981/c7326196/content.shtml>
- ▶ **List of key enterprises with integrated development for information technology outsourcing and manufacturing (MOFCOM/MIIT PN [2023] No. 6)**
<http://www.mofcom.gov.cn/article/zcfb/zcfwmy/202302/20230203391926.shtml>
- ▶ **Implementation standards of the Ministry of Housing and Urban-Rural Development on administrative approval items**
https://www.mohurd.gov.cn/jigou/sjjq/jqfgs/fqsgzxx/202303/20230308_770593.html
- ▶ **Implementation standards of the Ministry of Natural Resources on administrative approval items**
http://f.mnr.gov.cn/202303/t20230317_2778779.html
- ▶ **Reference table for the classification of core digital economy industries and international standard of patent classification (2023) (Guozhibanhanguizi [2023] No. 203)**
http://www.cnipa.gov.cn/art/2023/3/23/art_75_183099.html
- ▶ **PN regarding two additional option for picking up offshore duty-free goods in Hainan (GAC/MOF/STA PN [2023] No. 25)**
<http://www.customs.gov.cn/customs/302249/2480148/4909775/index.html>
- ▶ **Approval on temporarily adjusting the implementation of certain administrative regulations in Hainan (Guohan [2023] No. 23)**
http://www.gov.cn/zhengce/content/2023-03/21/content_5747668.htm
- ▶ **Notice on adjustment of tax invoice related parameters for physical transaction of silver**
<https://www.sge.com.cn/jjsnotice/10004511>



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