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China Tax Center

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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.

Key tax circular

► Updated implementation guideline on the latest super deduction policy of R&D expenditures for Corporate Income Tax (CIT) purposes

Following the implementation of the new policy increasing super deduction for R&D expenses from 175% to 200% on 1 January 2023 (for the detailed information please refer to CTIE2023012 and Wechat article announced on 31 March 2023), the State Taxation Administration (STA) published the detailed updated guideline accordingly at the end of March, which provides implementation information including applicable scope of taxpayers, eligible R&D activities, deductible expenditures as well as relevant accounting requirements. The guideline is rather comprehensive and the respective supporting regulations are cited so that taxpayers would be able to refer to the original regulatory source if not clear.

You can click this link to access the full contents of the Guideline:
<http://www.chinatax.gov.cn/chinatax/n362/c5185945/content.html>

Key business and investment circulars

► **Measures of Shanghai for enhancing the attraction and utilization of foreign investment (Hufubangui [2023] No. 11)**

Recently, the General Office of the Shanghai Municipal People's Government issued Hufubangui [2023] No. 11 (Circular 11), aiming to attract foreign investment and stabilize foreign trade.

Circular 11 proposes 20 measures, with some notable points being:

- Proceed the pilot run of further opening-up service industries
 - Promote the foreign investments in financial and shipping industries. Qualifying foreign companies engaging in securities, funds, futures, life insurance, pension/wealth/finance management are all welcomed to establish or expand their operations in Shanghai
 - Proactively explore the possibilities of market access relaxation for foreign investment in telecommunication, internet, education, culture, and medical services
 - Strengthen the Shanghai Free Trade Zone by aligning with top-tier international economic and trade rules, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA).
- Elevate the foreign investment quality
 - Support high quality foreign investments and provide priorities and administrative facilitations on registration/approval procedures, land and utility supplies and human resource. The areas listed under this high-quality investments cover advanced manufacturing, modern services, high-tech, energy-saving and environmental protection.
 - Provide financial support and tax incentives as well as other facilitation initiatives to attract more foreign investment headquarters
- Local financial awards
 - The local governments at the district level are allowed to apply their own discretion in granting foreign investments (including reinvestments) with financial awards.

Circular 11 took effect on 6 April 2023.

You can click this link to access the full content of Circular 11:

<https://www.shanghai.gov.cn/nw12344/20230404/6ebb74adcc9241ef87e3fe8eaff578aa.html>

► **Policy measures of Shanghai for stabilizing the quantity and improving the quality of foreign trade (Hufubangui [2023] No. 9)**

The General Office of the Shanghai Municipal People's Government issued Hufubangui [2023] No. 9 ("Circular 9") to stabilize foreign trade.

Some highlights are summarized as follows:

- Prioritize key enterprises and products with increased supports from customs clearance, finance, and tax refunds.
- Promote development of cross-border e-commerce and offshore trades
- Further optimize financial fundings for foreign trade enterprises. The circular specifically mentions to better utilize the designated import quota for participating jurisdictions under Regional Comprehensive Economic Partnership (RCEP), which is RMB200 billion in total.

Circular 9 became effective on 6 April 2023.

You can click this link to access the full contents of Circular 9:

<https://www.shanghai.gov.cn/nw12344/20230404/115897158caf4964ae5b71c7ab06b4a9.html>

► **Catalogue of Encouraged Industries in the Guangdong-Macau In-depth Cooperation Zone in Hengqin (Fagaidiqu [2023] No. 302)**

On 3 April 2023, the National Development and Reform Commission released the "Catalogue of Encouraged Industries in the Guangdong-Macau In-depth Cooperation Zone in Hengqin" (Hengqin Encouraged Catalogue), which is designed to guide investment directions in Hengqin, facilitate government-managed investment projects, and serve as an essential basis for formulating and implementing talent, land, and other industry development policies in Hengqin.

It is worth-noting that falling into the scope of the Hengqin Encouraged Catalogue does not directly provide an eligibility for tax preferential treatments in Hengqin. Instead, the Catalogue of Industries Eligible for Preferential CIT Treatments for the Guangdong-Macao In-depth Cooperation Zone in Hengqin (2021 version) shall be referenced for tax incentive applications, along with other criteria required.

You can click this link to access the full contents of Hengqin Encouraged Catalogue:

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3508153.html

You can click this link to access the full contents of the Preferential CIT Treatments for the Guangdong-Macao In-depth Cooperation Zone in Hengqin (2021 version):

http://czt.gd.gov.cn/tzgg/content/post_3941545.html

► **Joint Statement Between the People's Republic of China (PRC) and the Republic of Singapore (Singapore) on the Establishment of an all-round High-quality Future Oriented Partnership**

On 1 April 2023, China and Singapore issued a Joint Statement announcing their "All-Round High Quality Future Oriented Partnership" (Joint Statement). The objective of the Joint Statement is to strengthen bilateral cooperation and broaden collaborative efforts in key areas such as food security, technology research, investment, trade, green and digital economies, the financial sector, and aviation. The partnership also aims to create new growth opportunities by leveraging digital transformation in emerging fields.

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

https://www.fmprc.gov.cn/zyxw/202304/t20230401_11053005.shtml

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

► **Notice regarding expanding the scope of pilot run of the export tax refund policy on port of shipment (Caishui [2023] No. 8)**

http://czt.hebei.gov.cn/root17/zfxx/202303/t20230327_1774900.html

► **Public notice (PN) regarding tax administration and collections for implementing the CIT incentives for small-sized enterprises with meager profit rate (STA PN [2023] No. 6)**

<http://www.chinatax.gov.cn/chinatax/n362/c5185893/content.html>

► **Public notice regarding the implementations of preferential Individual Income Tax policies for supporting the development of self-employed industrial and commercial households (STA PN [2023] No. 5)**

<http://www.chinatax.gov.cn/chinatax/n363/c5185889/content.html>

► **Notice regarding implementing the third batch of measures for the "Action for Simplifying Tax Procedures for Taxpayers" (Shuizongnafuhan [2023] No. 38)**

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5186223/content.html>

- ▶ **A case of income tax rules application--Accounting treatments of deferred income tax on assets and liabilities arising from individual transaction that does not apply initial recognition exemption**
http://kjs.mof.gov.cn/zt/kjzzss/srzzq/sdszzyyal/202304/t20230404_3877087.htm
- ▶ **PN regarding extending the implementation period of preferential disabled employment security fund policies (MOF PN [2023] No. 8)**
http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874898.htm
- ▶ **Notice regarding the temporary reduction of payment rates for unemployment insurance and work-related injury insurance (Renshebufa [2023] No. 19)**
<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5186021/content.html>
- ▶ **Notice of consulting public opinions on the "Notice Regarding Administrative Matters Related to Cross-border Tax Payment and Refund (Consultation Draft)"**
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/4829089/index.html>
- ▶ **Measures on Energy Conservation Assessment of Fixed Asset Investment Projects (NDRC Order [2023] No. 2)**
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202304/t20230406_1353307.html
- ▶ **Notice regarding recognition and assessment of the 2023 30th batch of National Enterprise Technology Centers (Fagaibangaoji [2023] No. 207)**
https://www.ndrc.gov.cn/xwdt/tzgg/202304/t20230406_1353311.html
- ▶ **Regulations on Review of Concentration of Business Operators (SAMR Order [2023] No. 67)**
https://gkml.samr.gov.cn/nsjg/fgs/202303/t20230320_353972.html
- ▶ **Regulations on Prohibition of Monopolistic Agreements (SAMR Order [2023] No. 65)**
https://gkml.samr.gov.cn/nsjg/fgs/202303/t20230320_353968.html
- ▶ **Regulations on Prohibiting Abusage of Market Dominant Position (SAMR Order [2023] No. 66)**
https://gkml.samr.gov.cn/nsjg/fgs/202303/t20230320_353971.html
- ▶ **Regulations on Prohibiting Abuse of Administrative Power to Eliminate or Restrict Competition (SAMR Order [2023] No. 64)**
https://gkml.samr.gov.cn/nsjg/fgs/202303/t20230320_353973.html
- ▶ **PN regarding pilot run of the territorial inspection management system and online issuance of inspection and quarantine certificates (GAC PN [2023] No. 27)**
<http://www.customs.gov.cn/customs/302249/302266/302267/4933082/index.html>
- ▶ **PN regarding the "List of Customs Inspection and Quarantine Items and Commodity Numbers of Special Goods" (GAC PN [2023] No. 28)**
<http://www.customs.gov.cn/customs/302249/2480148/4937489/index.html>
- ▶ **Notice regarding regulating the classification of trust business of trust companies (Yinbaojiangui [2023] No. 1)**
http://www.gov.cn/zhengce/zhengceku/2023-03/25/content_5748255.htm
- ▶ **Notice regarding regulating offsite offices of trust companies (Yinbaojiangui [2023] No. 3)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1102403&itemId=928>
- ▶ **Notice of consulting public opinions on the "Measures on the Supervision and Administration of Futures Companies (Consultation Draft)"**
<http://www.csrc.gov.cn/csrc/c101981/c7397662/content.shtml>
- ▶ **Notice on further promoting the normalized issuance of Real Estate Investment Trusts (REITs) in the infrastructure sector**
http://www.gov.cn/zhengce/zhengceku/2023-03/25/content_5748247.htm

- ▶ **Notice regarding applications and recommendations of REITs projects in the infrastructure sector (Fagaitouzi [2023] No. 236)**
https://www.ndrc.gov.cn/xsgk/zcfb/tz/202303/t20230324_1351765.html
- ▶ **Notice regarding the application documentation and formatting requirements for administrative approvals of Chinese commercial banks**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1101881>
- ▶ **2022 China's Balance of Payments Report**
<http://www.safe.gov.cn/safe/2023/0331/22547.html>
- ▶ **Notice of abolishing and expiration of fifteen foreign exchange regulations and updating fourteen foreign exchange regulations (Huifa [2023] No. 8)**
<http://www.safe.gov.cn/safe/2023/0324/22501.html>
- ▶ **Notice regarding abolishing 11 regulations (PBOC Order [2023] No. 2)**
<http://www.pbc.gov.cn/tiaofasi/144941/144957/4829225/index.html>
- ▶ **PN regarding abolishing 36 regulatory documents (PBOC PN [2023] No. 4)**
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4829160/index.html>
- ▶ **Opinions on promoting the high-quality development of online tourism market (Wenlvshichangfa [2023] No. 41)**
http://www.gov.cn/zhengce/zhengceku/2023-03/28/content_5748755.htm
- ▶ **Outlines on Ethical Conduct of the Certified Public Accountants Industry (Caikuai [2023] No. 5)**
http://www.mof.gov.cn/zengwuxinxi/zhengcefabu/202303/t20230329_3875834.htm
- ▶ **Notice of regarding travel agencies resuming inbound tours for foreign tourists (Wenlvfadian [2023] No. 111)**
https://zwgk.mct.gov.cn/zfxxgkml/scgl/202303/t20230331_941077.html
- ▶ **Measures on the Supervision and Administration of Online Cosmetic Business (NMPA PN [2023] No. 36)**
http://www.gov.cn/zhengce/zhengceku/2023-04/04/content_5750049.htm



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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