



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.

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Tax circulars

- ▶ **Public notice (PN) regarding clarifications on certain issues related to the preferential Corporate Income Tax (CIT) policies in the Pingtan Comprehensive Experimental Zone (Pingtan tax services, State Taxation Administration/Pingtan Finance Bureau/Pingtan Economic Development Bureau/Pingtan Market Regulatory Bureau PN [2023] No. 1)**

Synopsis

According to Caishui [2021] No. 29 ("Circular 29", i.e., Notice regarding continuously implementing preferential CIT policies in the Fujian Pingtan Comprehensive Experimental Zone (Pingtan)), from 1 January 2021 to 31 December 2025, qualifying enterprises established in Pingtan engaging in encouraged industries are subject to a reduced CIT rate of 15%.

Further to Circular 29, on 24 April 2023, the Pingtan tax services, State Taxation Administration, Pingtan Finance Bureau, Pingtan Economic Development Bureau and Pingtan Market Regulatory Bureau jointly released a PN (hereinafter referred to as "PN 1") to further clarify issues related to the preferential CIT policies for qualifying enterprises in Pingtan.

To be eligible for the abovementioned preferential CIT treatment, enterprises in Pingtan should have substantive manufacturing/business operation in Pingtan.

According to PN 1, the following four key factors and other relevant requirements are set out for assessing “substantive manufacturing/business operations”:

Key factor I – carrying out manufacturing/business operations in Pingtan

- ▶ From business operation perspective - a qualifying enterprise should have its fixed and main manufacturing/business operation premises with necessary manufacturing/business operation equipment and facilities in Pingtan; or
- ▶ From management execution perspective - a qualifying enterprise should have its effective management in Pingtan that manages and controls the full-scale manufacturing/business operations; and
- ▶ Exercises an authority to conclude contracts in the name of the enterprise.

Key factor II – with sufficient staff in Pingtan

According to PN 1, a qualifying enterprise should have sufficient staff working in Pingtan and their salaries and wages are paid via bank accounts set up in Pingtan.

Specifically, considering its actual business scale, the enterprise should have 3 to 30 staff who work and participate in social security (e.g., the basic pension) in Pingtan for at least six months cumulatively in a year.

Key factor III – with accounting records maintained in Pingtan

According to PN 1, a qualifying enterprise should maintain the accounting ledgers, accounting books and financial statements, etc. in Pingtan. The basic deposit account and settlement accounts for major business activities should be opened with commercial banks in Pingtan.

Key factor IV – with assets placed in Pingtan

A qualifying enterprise should have necessary assets in Pingtan for manufacturing/business operation purpose.

Notwithstanding the four key factors stated above, it is stated in the official interpretation that any enterprise falling into either one of the following situations shall be considered disqualified:

- ▶ An enterprise without manufacturing/operational functions only undertakes financial settlements, tax filings, invoicing functions for businesses outside Pingtan; or
- ▶ An enterprise’s registered address was found inconsistent with its actual business operation address and contact person of the enterprise cannot be reached or failed to provide its actual business address after accessed by the government authorities.

Similar to the practice of Hainan Free Trade Port, the Guangdong-Macau In-depth Cooperation Zone in Hengqin and the impoverished areas of Xinjiang, a taxpayer should perform self-assessment to determine whether the above CIT preference is applicable and apply for the preferential tax treatment in the annual CIT filing by filling out the CIT return and a separate Commitment Form of Self-Assessment on Operation Substance (i.e., Attachment of PN 1).

Taxpayers are advised to read the above-mentioned circulars for details when trying to leverage this tax incentive. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of Circular 29:

<http://www.pingtan.gov.cn/ptwzq/ewebeditor/uploadfile/2021/07/08/20210708110920155.pdf>

You can click this link to access the full contents of PN 1:

http://fujian.chinatax.gov.cn/pingtanswj/zfxxgkzl/zfxxgkml/sszcfg/sszc_1004/202305/t20230524_510626.htm

- ▶ **Implementation Plan of Hengqin on the Preferential Individual Income Tax (IIT) Policies for High-end and Urgently-needed Talents**
- ▶ **Notice regarding the commencement of application for the preferential IIT policies for high-end and urgently-needed talents in Hengqin for the years 2021 and 2022**

Synopsis

According to Caishui [2022] No. 3 ("Circular 3", i.e., Notice regarding the preferential IIT policy for Hengqin), certain individuals in Hengqin are applicable to the following preferential IIT treatments:

- ▶ For domestic and overseas high-end or urgently needed talents working in Hengqin, their IIT burden exceeding 15% shall be exempted.
- ▶ For Macau residents working in Hengqin, their IIT burden that exceeds their tax burden in Macau shall be exempted.

In this regard, the relevant government authorities in Hengqin announced the Implementation Plan of Hengqin on the Preferential IIT Policies for High-end and Urgently-needed Talents (hereinafter referred to as the "Implementation Plan") and the Notice regarding the commencement of application for the preferential IIT policies for high-end and urgently-needed talents in Hengqin for the years 2021 and 2022 (hereinafter referred to as the "Hengqin Notice") on 15 May 2023 and 22 May 2023 respectively. Among these, the Hengqin Notice sets out the timelines for the declaration, the documents required, and procedures.

Specifically, the qualified high-end and urgently-needed talents working in Hengqin and their employers are required to complete the declaration as below:

Processes	Deadline
Individuals complete the declaration online	On or before 11 June 2023
Employers review the declaration submitted by the individuals	On or before 13 June 2023

On the other hand, according to the previous Implementation Plan of Hengqin on the Preferential IIT Policies for Macau Residents, the application of preferential IIT treatment for Macau residents working in Hengqin would be completed during their annual IIT filing.

Relevant individual taxpayers are advised to read the above-mentioned circulars for details and act accordingly and promptly. If in doubt, consultations with professionals are always recommended.

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

https://guangdong.chinatax.gov.cn/gdsw/zhhqsw_tzgg/2023-05/25/content_290efb8709314ae9974d9b8729e82e33.shtml

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

<https://www.tid.gov.hk/english/aboutus/tradecircular/cic/asia/2023/files/ci2023358a.pdf>

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

http://czt.gd.gov.cn/tzgg/content/post_3876408.html

You can click this link to access the full contents of the Implementation Plan of Hengqin on the Preferential IIT Policies for Macau Residents:

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3310899.html

- ▶ **Overall plan of Beijing Zhongguancun National Independent Innovation Demonstration Zone on building a pilot financial reform zone to spur sci-tech innovation (Yinfa [2023] No. 98)**

Synopsis

On 16 May 2023, several central government authorities including the People's Bank of China, State Administration of Foreign Exchange and Ministry of Finance jointly announced the Overall plan of Beijing Zhongguancun National Independent Innovation Demonstration Zone (Zhongguancun) on building a pilot financial reform zone to spur sci-tech innovation via Yinfa [2023] No. 98 ("Circular 98").

Circular 98 sets out 27 key tasks of seven areas, which include improvements of financial products/market as well as insurance and guarantee system for science and technology related enterprises.

Specifically, it is mentioned that efforts will be made to create a new mutually beneficial cooperative relationship based on the free use of RMB in the pilot zone of Zhongguancun, which include:

- ▶ Designing cross-border RMB financial products that align with the characteristics of technology innovation-oriented enterprises and supporting them in conducting cross-border RMB financial transactions.
- ▶ Utilizing the role of RMB international investment and financing fund to support technology innovation-oriented enterprises in expanding their presence overseas.
- ▶ Expanding the scope of the dedicated capital account for RMB within the pilot zone in accordance with relevant regulations.

It is anticipated that detailed implementation rules in this regard would be formulated and announced by the relevant government authorities. We will keep an eye on any further developments and advise you accordingly, please stay tuned.

You can click this link to access the full contents of Circular 98:

https://www.ncsti.gov.cn/zcfg/zcwj/202305/t20230524_121514.html

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

- ▶ **Administrative Measures for the Record-filing of Tax-related Report produced by Tax Agents (Trial) (Zhongshuixiefu [2023] No. 16)**
<http://www.xmctaa.org.cn/Article/Print.asp?ArticleID=1054>
- ▶ **PN regarding temporarily exempting the relevant entities from contributions to the National Film Development Funds (MOF/China Film Administration PN [2023] No. 9)**
https://www.chinafilm.gov.cn/xxgk/gztz/202305/t20230523_715960.html
- ▶ **Digital China Development Report (2022)**
<http://www.echinagov.com/news/340749.htm>
- ▶ **Regulations on Commercial Password Management (State Council Order [2023] No. 760)**
http://www.gov.cn/zhengce/content/202305/content_6875927.htm

- ▶ **PN regarding implementation regulations on administrative approval items**
https://zwgk.mct.gov.cn/zfxxgkml/zcfg/gfxwj/202305/t20230524_944005.html
- ▶ **Notice regarding resuming timber logs imports from Australia (Dongzhijianhan [2023] No. 12)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/5040704/index.html>
- ▶ **Decisions on revising certain regulations (GAC Order [2023] No. 263)**
<http://www.customs.gov.cn/customs/302249/2480148/5043425/index.html>
- ▶ **PN regarding certain matters related to applying preferential tariff rates under the Regional Comprehensive Economic Partnership (RCEP) for certain imports from the Philippines (GAC PN [2023] No. 53)**
<http://www.customs.gov.cn/customs/302249/2480148/5048288/index.html>



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