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# 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

- ▶ **Public notice (PN) regarding optimizing policies on super deduction of research and development (R&D) expenses in the provisional Corporate Income Tax (CIT) filing (STA/MOF PN [2023] No. 11)**

### Synopsis

According to STA PN [2022] No. 10 ("STA PN 10", i.e., PN regarding matters related to enterprises claiming super deduction of R&D expenses in the provisional CIT filing), eligible enterprises may choose to claim the super deduction of R&D expenses incurred in the first three quarters of the year under the provisional CIT filing for the third quarter or the month of September (to be completed in October).

To enhance current practices and enable enterprises to leverage tax preferences in a timely manner, the State Taxation Administration (STA) and Ministry of Finance (MOF) jointly issued STA/MOF PN [2023] No. 11 ("PN 11") on 21 June 2023 to further improve the process for claiming R&D super deduction.

According to PN 11, from 1 January 2023, an eligible enterprise may adopt one of the following approaches in its provisional CIT filings:

Options	When the claim should be filed
1. Choose to claim super deduction of R&D expenses incurred in the <u>first half of the year</u> in the provisional CIT filing for the <u>second quarter or the month of June</u> ; or	July
2. Choose to claim super deduction of R&D expenses incurred in the <u>first three quarters of the year</u> in the provisional CIT filing for the <u>third quarter or the month of September</u> .	October

Other than the above, the eligible enterprise may still choose to claim super deduction of remaining R&D expenses incurred in the whole year in the annual CIT filing (to be filed by the end of May of the following year).

Enterprises are required to perform self-assessment on their eligibility before applying the CIT preference and complete the provisional/annual CIT return as well as the schedule for CIT preferential treatments on R&D expenses (i.e., schedule A107102). The schedule should be retained with other supporting documents for future references.

To timely utilize the tax preference and preserve cash flow, eligible taxpayers who have incurred a significant portion of R&D expenses in the first half of the year may consider claiming the super deduction for the first half of the year in their quarterly/monthly provisional CIT filing to be filed in July. As the deadline for the filing is approaching, it is important for the taxpayers to act promptly to compile these expenses accurately and get the required supporting documents ready before the filing deadline.

Taxpayers are advised to study PN 11 and the relevant circulars in detail. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 11:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5205530/content.html>

You can click this link to access the full contents of the official interpretation of PN 11:

[https://www.gov.cn/govweb/zhengce/202306/content\\_6887817.htm](https://www.gov.cn/govweb/zhengce/202306/content_6887817.htm)

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

<http://www.chinatax.gov.cn/chinatax/n362/c5175756/content.html>

► **Notice regarding further implementing the preferential Individual Income Tax (IIT) policies for the Guangdong-Hong Kong-Macau Greater Bay Area (Yuecaishui [2023] No. 21)**

**Synopsis**

According to Caishui [2019] No. 31 ("Circular 31", i.e., Notice regarding the preferential IIT policies for the Guangdong-Hong Kong-Macau Greater Bay Area (GBA)), from 1 January 2019 to 31 December 2023, overseas high-end and urgently needed talents who work in the GBA (hereinafter referred to as "overseas talents") shall be eligible for a financial subsidy to cover the portion of their IIT paid in the nine GBA cities<sup>1</sup> that exceeds 15% of their taxable income. Such financial subsidies (hereinafter referred to as the "IIT subsidies") paid to the individuals shall be exempt from IIT.

In this regard, the Guangdong Provincial Tax Service-STA, Science and Technology Department, Finance Department, and Human Resources and Social Security Department of Guangdong Province jointly released Yuecaishui [2023] No. 21 ("Circular 21") on 2 June 2023 to further implement the preferential IIT policies for the GBA.

Notably, Circular 21 explicitly sets an IIT subsidy cap of RMB5 million per taxpayer per tax year for all nine cities in the GBA. This cap had not been literally mentioned by local government authorities of the GBA, except for Shenzhen.

According to Circular 21, the abovementioned “IIT paid” refers to the amount of IIT paid on the consolidated income (i.e., Wages and salaries, income from labor services, author’s remuneration and royalties), income from business operating activities, and subsidy income derived from talent programs.

To be eligible for the IIT subsidies, overseas talents should apply for recognition from the local competent authorities. However, we noticed that the nine GBA cities have not yet launched the application for the financial subsidies for year 2021 (normally the application should be completed in 2022). From a reasonable perspective, it can be inferred that the relevant local departments in the GBA may open the application for IIT subsidies for the years 2021 and 2022 within this year. It is recommended that relevant taxpayers remain vigilant and stay alert about notices issued by the local competent authorities and act promptly.

It is worth-noting that, the IIT subsidy policies as prescribed in Circular 31 shall be abolished on 1 January 2024. It is still uncertain whether the policies will be extended. We will keep an eye on any further developments and advise you accordingly, please stay tuned.

<sup>1</sup> The nine cities refer to Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province.

You can click this link to access the full contents of Circular 21:

[http://czt.gd.gov.cn/szgljfw/content/post\\_4203474.html](http://czt.gd.gov.cn/szgljfw/content/post_4203474.html)

You can click this link to access the full contents of Circular 31:

<http://www.chinatax.gov.cn/n810341/n810755/c4148969/content.html>

► **PN regarding extending and optimizing the reduction/exemption of Vehicle Purchase Tax (VPT) policies for new energy vehicles (MOF/STA/MIIT PN [2023] No. 10)**

**Synopsis**

To support the development of the new energy vehicle industry and stimulate automotive consumption, the MOF, STA and Ministry of Industry and Information Technology (MIIT) jointly issued MOF/STA/MIIT PN [2023] No. 10 (“PN 10”) on 19 June 2023.

Key points of PN 10 are as follows:

- Eligible new energy vehicles purchased from 1 January 2024 to 31 December 2025 are exempt from VPT. However, the exemption amount for each new energy passenger car is capped at RMB30,000.
- Eligible new energy vehicles purchased from 1 January 2026 to 31 December 2027, are eligible for a 50% reduction of VPT. However, the reduction amount for each new energy passenger car is capped at RMB15,000.

The purchase date is the issuance date of valid documents such as the unified invoice for vehicle sales or the customs duty payment certificate.

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

<http://www.chinatax.gov.cn/chinatax/n371/c5205526/content.html>

**Business circulars**

► **List of Key Tasks for Pilot Free Trade Zones (2023-2025) (Shangzimaohan [2023] No. 181)**

**Synopsis**

To promote high-quality development of pilot free trade zones (PFTZs), on 9 June 2023, the Ministry of Commerce issued a list of key tasks for PFTZs (2023-2025) (hereinafter referred to as the “List”) via Shangzimaohan [2023] No. 181, which outlined 164 key tasks to be independently promoted and implemented by the PFTZs over the next three years.



The following are worth-noting:

- ▶ Based on the strategic positioning and development goals of PFTZs, the List specifies the respective construction directions and key tasks of the PFTZs in the next three years and promotes differentiated and personalized development, e.g., the Guangdong PFTZ would actively deepen cooperation with Hong Kong and Macau in trade, investment, finance, legal services, and other areas.
- ▶ The List covers a series of key tasks that the PFTZs actively plan and independently promote. It is indicated the PFTZs have been continuously deepening reform and innovative practices according to local conditions. For example, the Shanghai PFTZ would focus on creating a world-class business environment, vigorously advancing the reforms of “Internet Plus Government Services” and “Separate Licenses for Separate Businesses,” and establishing a comprehensive industry regulatory system.

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 the List:

<http://www.mofcom.gov.cn/article/zwgk/qkgztz/202306/20230603417508.shtml>

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

- ▶ **Notice regarding public opinion consultation on the “Notice Regarding Improving the Digital Services for Banks Handling Cross-border Funds Settlement Business (Discussion Draft)”**  
<http://www.safe.gov.cn/safe/2023/0616/22823.html>
- ▶ **PN regarding public opinions consultation on the “Anti-monopoly Compliance Guidance for the Concentration of Business Operators (Discussion Draft)”**  
[https://www.samr.gov.cn/hd/zjdc/art/2023/art\\_11a011a679274bf0bc4f0b05954d5e15.html](https://www.samr.gov.cn/hd/zjdc/art/2023/art_11a011a679274bf0bc4f0b05954d5e15.html)
- ▶ **Guiding opinions on enhancing financial services to bolster rural revitalization and the national strength in agriculture (Yinfa [2023] No. 97)**  
<http://www.pbc.gov.cn/zhengwugongkai/4081330/4406346/4693549/4959284/index.html>



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