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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.

Tax circular

► Collection of Tax and Fee Policies for the First Half of 2023

Synopsis

On 18 July 2023, the State Taxation Administration (STA) released a collection of 33 tax and social insurance policies for the first half of 2023 (hereinafter referred to as the "Policy Collection") for taxpayers' easy reference.



For your convenience, we have summarized key tax policies in the table below (please click on the circular numbers and our tax publication numbers for further details):

Relevant policies	Details	Our tax publications
STA/MOF PN [2023] No. 11 , i.e., Public notice (PN) regarding optimizing policies on super deduction of research and development (R&D) expenses in the provisional Corporate Income Tax (CIT) filing	<p>Effective from 1 January 2023, an eligible enterprise may adopt one of the following approaches in its provisional CIT filings:</p> <ul style="list-style-type: none"> ▶ Choose to claim super deduction of R&D expenses incurred in <u>the first half of the year in the provisional CIT filing for the second quarter or the month of June</u>; or ▶ Choose to claim super deduction of R&D expenses incurred in <u>the first three quarters of the year in the provisional CIT filing for the third quarter or the month of September</u>. <p>The super deduction of the remaining R&D expenses incurred in the whole year shall be claimed in the annual CIT filing (to be filed by the end of May of the following year).</p>	CTIE2023023
MOF/STA PN [2023] No. 7 , i.e., PN regarding further optimizing the policy on super deduction of R&D expenditures	<p>From 1 January 2023, 200% super deduction of eligible R&D expenses (instead of previously 175%) took effect without a specific sunset clause.</p>	CTIE2023012 WeChat article issued on 31 March 2023
MOF/STA PN [2023] No. 1 , i.e., PN regarding Value-added Tax (VAT) reduction and exemption policies for VAT taxpayers	<ul style="list-style-type: none"> ▶ VAT exemption for small-scale VAT taxpayers: <ul style="list-style-type: none"> ▶ For small-scale VAT taxpayers with monthly/quarterly sales (excluding real estate sales) not exceeding RMB100,000/RMB300,000, the sales of goods, labor, services and intangible assets shall be exempt from VAT. ▶ Super input VAT credit <ul style="list-style-type: none"> ▶ General VAT taxpayers engaging in manufacturing¹ shall be given an extra 5% "super input VAT credit", i.e., input VAT can be credited at 105%. ▶ General VAT taxpayers engaging in lifestyle services² shall be given an extra 10% "super input VAT credit", i.e., input VAT can be credited at 110%. 	CTIE2023003 WeChat article issued on 18 January 2023
MOF/STA PN [2023] No. 2 , i.e., PN regarding extending the implementation period of certain preferential Individual Income Tax (IIT) policies	<ul style="list-style-type: none"> ▶ Transition period is granted for the favorable IIT treatment on equity income from listed companies from 1 January 2023 to 31 December 2023, i.e., where a resident individual receives qualifying equity income (e.g., stock options, stock appreciation rights, restricted stocks, stock awards) that meets the criteria as prescribed in existing circulars, such as Caishui [2005] No. 35, the IIT payable shall be calculated separately instead of being combined into the consolidated income. ▶ The IIT exemption for individual investors from the Mainland of China with respect to gains derived from trading of stocks on the Hong Kong Stock Exchange through the Shanghai/Shenzhen-Hong Kong Stock Connect Program and trading of Hong Kong securities investment funds via the Mainland-Hong Kong mutual recognition of funds is extended from 1 January 2023 to 31 December 2023. 	CTIE2023004 WeChat article issued on 18 January 2023

Relevant taxpayers are encouraged to read the Policy Collection and our past issues of publications for further details and to explore the potential benefits of relevant tax incentives. If in doubt, consultations with professionals are always recommended.

¹ "General VAT taxpayers engaging in manufacturing services" refers to taxpayers whose aggregate sales derived from postal services, telecommunication services and modern services (such as R&D services, information technology services, logistics services and certification and consulting services) and lifestyle services exceed 50% of their total sales.

² "General VAT taxpayers engaging in lifestyle services" refers to taxpayers whose aggregate sales derived from lifestyle services (i.e., culture and sports services, educational and medical services, tourism and entertainment services, catering and accommodation services, daily services for individuals, and other lifestyle services) exceed 50% of their total sales.

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

<https://mp.weixin.qq.com/s/NuCUJqJJxClfFwzhzrRD8w>

Business circulars

► **Public notice (PN) regarding public opinions consultation on the "Guiding Catalog of Industrial Structure Adjustment (2023, Discussion Draft)"**

Synopsis

To adapt to the new situation, tasks, and requirements of industrial development, accelerate the construction of a modern industrial system, the National Development and Reform Commission (NDRC) revised and formed the "Guiding Catalog of Industrial Structure Adjustment (2023, Discussion Draft)" (hereinafter referred to as the "2023 Draft Catalog") together with other relevant departments and announced it on 14 July 2023 to seek public opinion.

The 2023 Draft Catalog consists of a total of 1,002 items, which are as follows:

- Encouraged industries: 348 items
- Restricted industries: 231 items
- Eliminated industries: 423 items

Compared to the existing version (i.e., the Guiding Catalogs of Industrial Structure Adjustment (2019 Version)) released through NDRC Order [2019] No. 29 (hereinafter referred to as the "2019 Catalog"), the number of items for encouraged industries in the 2023 Draft Catalog has decreased by 473 items. This reduction is a result of consolidating and categorizing similar items, with the intention to streamline and enhance user-friendliness.

Overall, the 2023 Draft Catalog highlights the following trends:

- Promote the high-end, intelligent, and green transformation of the manufacturing industry.
- Strengthen the leading position of advantageous industries.
- Accelerate the development of certain areas to address and improve so as to secure development.
- Establish an efficient and advanced system for the service industry.

It is worth-noting that the "Guiding Catalog of Industrial Structure Adjustment" serves as an important basis for guiding the direction of social investment, managing government investment projects, and formulating and implementing policies related to finance, taxation, credit, land, imports, and exports.

Concerned parties should read the 2023 Draft Catalog and are encouraged to express opinions on or before 14 August 2023 by logging onto <http://www.ndrc.gov.cn>.

You can click this link to access the full contents of the 2023 Draft Catalog:

https://www.gov.cn/lianbo/bumen/202307/content_6893707.htm

You can click this link to access the full contents of the 2019 Catalog:

https://www.gov.cn/xinwen/2019-11/06/content_5449193.htm

► **Opinions on promoting the development of private economy**

Synopsis

To promote the development and growth of the private economy, on 14 July 2023, the Central Committee of the Communist Party of China and the State Council jointly announced the opinions on promoting the development of the private economy (hereinafter referred to as the "Opinions").

Key features of the Opinions include the following:

- To continue removing market access barriers, local government authorities should not impose access barriers in the form of registration, annual inspections, certifications, etc. On the other hand, pre-conditions and approval standards for administrative services (e.g., administrative approvals, permits, and record filings) should be streamlined and standardized.
- To strengthen policy support for private economy, the financing support policies and mechanisms shall be further improved to prevent and address accounts payable issues and provide talent and labor demand guarantees.
- To enhance legal protection for private economy development, the protection of property rights and entrepreneurs' interests shall be further strengthened.
- To promote the high-quality development of private economy, digital transformation and technological upgrades of private enterprises shall be encouraged to further enhance their global competitiveness.

Also, it is highlighted in the Opinions the importance of guiding public recognition of the significant contributions of private economy and promoting a favorable business environment to support private enterprises in fulfilling their social responsibilities.

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

https://www.gov.cn/zhengce/202307/content_6893055.htm

► **Support measures for further boosting the development of headquarter economy in Guangzhou Nansha New Area (Free Trade Zone (FTZ)) (Suinankaiguanbangui [2023] No. 4)**

► **Ten measures for promoting the development of the manufacturing industry in Guangzhou Nansha New Area (FTZ) (Suinankaigongxinguizi [2023] No. 1)**

Synopsis

In accordance with the requirements of "Notice Regarding an Overall Plan for Promoting Comprehensive Cooperation among Guangdong, Hong Kong and Macau by further Deepening the open-up of Guangzhou Nansha" (hereinafter referred to as the "Nansha Plan"), on 17 July 2023, the General Office of Administration Committee of Guangzhou Nansha Development Zone and General Office of Nansha District People's Government of Guangzhou jointly issued the support measures for further boosting the development of headquarter economy in Guangzhou Nansha New Area (FTZ) (hereinafter referred to as the "Support Measures").

Key incentives provided in the Support Measures include:

- ▶ Settlement rewards will be granted to newly established and recognized headquarter enterprises, with a maximum reward of 20% of the enterprise's total economic contribution in the previous year in the district, with a cap at RMB30 million.
- ▶ Sustainable operation and development rewards will be granted to newly introduced or recognized headquarter enterprises, with a cap at 95% of the district-level economic contribution.
- ▶ Fixed Asset Investment Incentives cap at RMB50 million will be made available for headquarter enterprises, based on their actual total newly-made fixed asset investments (including key technology upgrades and renovations, excluding land and property acquisitions).
- ▶ Mergers and Acquisitions (M&A) and restructuring rewards of up to RMB5 million will be granted to headquarter enterprises that acquire controlling stakes in listed companies and companies listed on the National Equities Exchange and Quotations (NEEQ) and bring them into the Nansha district.
- ▶ A fixed amount of outbound investment reward of RMB3 million will be granted to eligible headquarter enterprises that participate in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative.

On the other hand, the Industry and Information Technology Bureau of Guangzhou Nansha Development Zone issued Ten Measures for Promoting the Development of the Manufacturing Industry in Guangzhou Nansha New Area (hereinafter referred to as the "Measures") on 6 July 2023. The Measures encompass incentives for enterprises in terms of small-scale enterprises upgrading, capital support, industrial investment and intelligent green development. The Measures are effective from 6 July 2023 to 31 December 2027.

Relevant businesses that intend to further explore their business opportunities in Nansha are advised to read the aforementioned measures in detail.

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

https://www.gz.gov.cn/gfxwj/qjgfwj/nsq/qfb/content/post_9116097.html

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

https://www.cnbayarea.org.cn/policy/policy%20release/policies/content/post_1086812.html

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

- ▶ **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (51st Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (67th Batch)", etc. (MIIT PN [2023] No. 16)**
https://www.miit.gov.cn/jgsj/zbys/wjfb/art/2023/art_ca2bc775ecad4e949f2c5cbab1ec881b.html
- ▶ **Administrative Measures for Auto Finance Companies (CBIRC Order [2023] No. 1)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1117684>
- ▶ **Notice regarding public opinions consultation on the "Administrative Measures for the Credit Repair of Entities Acting in Bad Faith in the Energy Industry (Discussion Draft)"**
http://www.nea.gov.cn/2023-07/12/c_1310732209.htm
- ▶ **Guidelines on handling the missing contact of private equity managers (Zhongjixiefa [2023] No. 17)**
https://wwwamac.org.cn/governmentrules/czxgf/zlgz/zlgz_smjj/zlgz_smjj_zhl/202307/t20230714_14870.html

- ▶ **Notice regarding certain measures for boosting consumption of household items (Shangxiaofeifa [2023] No. 146)**
<http://www.mofcom.gov.cn/article/zcfb/zcgtnmy/202307/20230703422259.shtml>
- ▶ **PN regarding public opinions consultation on certain regulations to be abolished**
<https://yyglxxbsgw.ndrc.gov.cn/htmls/article/article.html?articleId=2c97d16c-86787ed5-0189-68aa08e3-0044#iframeHeight=805>
- ▶ **Measures for promoting automobile consumption (Fagaijiuye [2023] No. 1017)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202307/t20230721_1358538.html
- ▶ **Measures for promoting the consumption of electronic products (Fagaijiuye [2023] No. 1019)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202307/t20230721_1358534.html
- ▶ **Decision on abolishing and revising certain regulations and regulatory documents (NDRC Order [2023] No.3)**
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202307/t20230721_1358531.html
- ▶ **PN regarding the "Customs Clearance Instruction for the 2023 China International Import Expo (CIIE)" and "Facilitation Measures of the Customs for Supporting the CIIE" (GAC PN [2023] No. 93)**
<http://www.customs.gov.cn/customs/302249/2480148/5164101/index.html>



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