



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

- ▶ **Notice regarding the commencement of the application for the status of enterprise eligible for import tax policies on key technical equipment (KTE) (Gongcaihan [2023] No. 161)**

Synopsis

To support the development of KTE manufacturing industry and implement the relevant policies for the import-level tax exemption on KTE, on 1 August 2023, the Ministry of Industry and Information Technology (MIIT) released Gongcaihan [2023] No. 161 ("Circular 161"), announcing the commencement of the application for the status of enterprises eligible for import tax policies on KTE, i.e., key components and raw materials imported necessarily for producing state-encouraged KTE or products by qualifying enterprises and nuclear power project owners (hereinafter referred to as the "qualifying enterprises") shall be exempt from Customs Duty and import-level Value-added Tax (VAT).

By definition, the qualifying enterprises applying for the policies generally should be manufacturers of KTE or products that are supported by the state policies. They should demonstrate strong capabilities in design, research and development (R&D), and manufacturing, as well as possess professional and all-rounded technical teams. Additionally, they must meet all the following conditions:

- ▶ They should have independent legal entity status.
- ▶ They did not commit any illegal activities nor engaged in any serious dishonest behaviors.
- ▶ They should possess core technologies and intellectual property rights.
- ▶ The relevant KTE and products must comply with prevailing rules.
- ▶ For nuclear power projects, the project owners applying for the import policies should be those who are responsible for the KTE in the sector.

According to Circular 161, the arrangement for the application process for year 2023 is as follows:

- ▶ The applicant should submit the applications to the competent industry and information technology authorities at the provincial level. For the owners of nuclear power projects or subordinate enterprises under a Central State-owned Enterprise Group should submit the applications through the Group. The application deadline is 31 August 2023.
- ▶ Upon receiving the applications, the competent authorities at the provincial level or Groups of Central State-owned Enterprises should review the application documents and report to the MIIT by 30 September 2023.

As the deadline for the application is approaching, relevant enterprises are advised to read Circular 161 and get prepared for the application as soon as possible.

You can click this link to access the full contents of Circular 161:

<http://gdii.gd.gov.cn/attachment/0/528/528269/4232332.pdf>

- ▶ **Notice regarding further simplifying procedures for taxpayers' handling of tax matters to promote the development of private economy and better serve the high-quality economic development (Shuizongnafuhan [2023] No. 211)**

Synopsis

To implement the "Opinions on Promoting the Development of the Private Economy" (hereinafter referred to as the "Opinions") jointly issued by the Central Committee of the Communist Party of China and State Council on 14 July 2023, the State Taxation Administration (STA) issued Shuizongnafuhan [2023] No. 211 ("Circular 211") on 4 August 2023. Circular 211 introduces 28 measures in five areas, i.e., strengthening policy implementation, facilitating tax handling, improving appeal response, deepening cross-border services, and optimizing law enforcement methods. These measures aim to promote the development and growth of the private economy.

The following measures are related to facilitation of tax and fee handling:

- ▶ Streamline the process for small and medium-sized enterprises (SMEs) to relocate across provinces. For qualified SMEs, tax authorities should promptly complete the relocation procedures according to regulations and share the relocation information to the tax authorities at the destinations.
- ▶ Tax authorities are not allowed to require taxpayers to conduct self-inspection, testing, certification, authentication, notarization, or provide proof before applying for tax-related matters, without legal or administrative regulatory basis.

- ▶ Promote digitized electronic invoices to facilitate the digital transformation of SMEs in order to further reduce institutional transaction costs for SMEs.

Notably, for taxpayers who failed to claim super deduction of R&D expenses in July 2023, they may choose to retroactively claim the super deduction by revising their provisional CIT return for the second quarter of the year or the month of June in either August or September 2023.

Relevant parties are advised to read Circular 211 for details to fully leverage the relevant tax preferences. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of Circular 211:

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5210568/content.html>

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

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

Business circulars

▶ **Opinions on further improving business environment to attract foreign investments (Guofa [2023] No. 11)**

Synopsis

To further attract foreign investment, the State Council issued Guofa [2023] No. 11 (“Circular 11”, i.e., the Opinions on further improving business environment to attract foreign investments) on 25 July 2023.

Circular 11 puts forward a series of measures aiming at improving and attracting foreign investments, which include ensuring national treatment for foreign investment enterprises (FIEs), strengthening the protection of foreign investment, enhancing the level of investment facilitation, increasing financial and tax supports, and improving the ways to promote foreign investment.

Specifically, Circular 11 mentions the following contents related to tax preferences and financial supports:

- ▶ Fully implement the temporary exemption of withholding tax on reinvestments made by foreign investors within China.
- ▶ Fully implement the relevant tax preferences for FIEs, such as tax incentives for foreign-funded research and development centers, and the tax-exempt benefits for foreign individuals (including housing subsidies, language training fees, and children’s education expenses).
- ▶ Local governments shall, within the statutory jurisdiction, implement supporting measures for FIEs engaging in encouraged industries.

Based on the information revealed in Circular 11, the section regarding tax preferences and financial supports mainly focuses on the continuation and implementation of existing policies; no major adjustments or new policies have been proposed. The specific detailed implementation rules are subject to further clarification by the relevant departments.

We will keep an eye on any further developments and advise you accordingly. Please note that we will soon issue a WeChat news article (in Chinese) to discuss Circular 11 in greater detail. Please stay tuned.

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

https://www.gov.cn/zhengce/content/202308/content_6898048.htm

- ▶ **Notice on enhancing the government integrity mechanism and improving the business environment for the development of the private economy (Fagaicaijin [2023] No. 1103)**

Synopsis

On 5 August 2023, the National Development and Reform Commission released Fagaicaijin [2023] No. 1103 ("Circular 1103") regarding enhancement of the government integrity mechanism and improvement of the business environment for private economy development. The issuance of Circular 1103 aims to enhance the construction of government integrity and performance mechanisms, promote optimization of business environment, and boost the growth and development of private economy.

In this respect, Circular 1103 urges local government authorities to establish mechanisms for disciplinary actions against government authorities' contractual breaches and dishonest behaviors, and to improve credit restoration mechanisms, etc. The scope of contractual breaches and dishonest behaviors would include breach of contracts and contract violations in areas such as government procurement, bidding, investment attraction, government cooperation with social capital, industry support, and government investments involving private enterprises.

Concerned parties are encouraged to refer to Circular 1103 for more details.

You can click this link to access the full contents of Circular 1103:

https://www.ndrc.gov.cn/xwdt/tzgg/202308/t20230810_1359278_ext.html

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

- ▶ **Public notice regarding the second batch of enterprises entitled to VAT exemption for sponsorship services provided to the Hangzhou 2022 Asian Games and Asian Paralympic Games (MOF/STA PN [2023] No. 20)**
http://szs.mof.gov.cn/zhengcefabu/202308/t20230804_3900292.htm
- ▶ **Notice regarding public opinions consultation on the "Administrative Regulations on Compliance Audit of Personal Information Processing Firms (Discussion Draft)"**
http://www.cac.gov.cn/2023-08/03/c_1692628348448092.htm
- ▶ **National Basic Public Service Standards (2023 Edition) (Fagaishehui [2023] No. 1072)**
https://www.ndrc.gov.cn/xwdt/tzgg/202308/t20230809_1359264.html
- ▶ **Guidelines on the internal audit of securities companies (Zhongzhengxiefa [2023] No. 147)**
https://www.sac.net.cn/tzgg/202308/t20230808_61110.html
- ▶ **Notice on the resumption of registration for two Australian barley export enterprises to China (Dongzhijianhan [2023] No. 21)**
<http://www.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/5196761/index.html>

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

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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