

# 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

- ▶ **Central government authorities extended the implementation of a few tax policies**

### Synopsis

To support the development of the capital market, China has been implementing a series of preferential tax policies. Recently, the Ministry of Finance (MOF), State Taxation Administration (STA), National Development and Reform Commission (NDRC), and China Securities Regulatory Commission (CSRC) released six circulars, extending the implementation of the prescribed tax policies until 31 December 2027.



For your easy reference, we have summarized these tax policies in the table below (please click on the circular numbers for details):

Circular Nos.	Details								
<a href="#">MOF/STA/CSRC PN [2023] No. 25</a> , i.e., Public notice (PN) regarding extending the preferential Individual Income Tax (IIT) treatment on equity incentive income from listed companies	<p>Extending the preferential IIT treatments related to stock incentive plans of listed companies, i.e., where a resident individual receives qualifying income from stock incentive plans (e.g., stock options, stock appreciation rights, restricted stocks and stock awards) that meets the criteria as prescribed in existing circulars, such as <a href="#">Caishui [2005] No. 35</a> (i.e., Notice regarding the IIT treatments for income derived from stock options), the IIT payable for such income shall be calculated as follows instead of being combined into the individual's consolidated income:</p> <p>IIT payable = Equity incentive income x Applicable tax rate - Quick reckoning deduction</p>								
<a href="#">MOF/STA/CSRC PN [2023] No. 22</a> ("Circular 22", i.e., PN regarding the extension of tax policies related to the transfer of Chinese Depository Receipt (CDR) issued by innovative enterprises)	<p>The following IIT treatments are applicable from 21 September 2023 to 31 December 2025:</p> <ul style="list-style-type: none"> <li>Income derived by individual investors from transfers of innovative enterprises' CDRs shall be exempt from IIT.</li> <li>Dividend income from innovative enterprises' CDRs held by individual investors shall be subject to differentiated treatments as follows for IIT purposes: <table border="1"> <thead> <tr> <th>Stock holding period</th><th>IIT treatment</th></tr> </thead> <tbody> <tr> <td>One month or less</td><td>100% of the dividend income shall be recognized as taxable income for IIT purposes.</td></tr> <tr> <td>One year or less but more than one month</td><td>50% of the dividend income shall be recognized as taxable income for IIT purposes.</td></tr> <tr> <td>More than one year</td><td>The dividend income shall be exempt from IIT.</td></tr> </tbody> </table> </li> <li>Besides, Circular 22 also extends the Corporate Income Tax, Value-added Tax (VAT) and Stamp Duty policies for the transfer of CDRs as prescribed in <a href="#">MOF/STA/CSRC PN [2019] No. 52</a>.</li> </ul>	Stock holding period	IIT treatment	One month or less	100% of the dividend income shall be recognized as taxable income for IIT purposes.	One year or less but more than one month	50% of the dividend income shall be recognized as taxable income for IIT purposes.	More than one year	The dividend income shall be exempt from IIT.
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<a href="#">MOF/STA/CSRC PN [2023] No. 23</a> , i.e., PN regarding the extension of IIT policies related to the Shanghai/Shenzhen-Hong Kong Stock Connect Program and the Mainland-Hong Kong mutual recognition of funds	<p>The Chinese Mainland (hereinafter referred to as "Mainland") individual investors are temporarily exempt from IIT in Mainland 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 scheme.</p>								
<a href="#">MOF/STA/NDRC/CSRC PN [2023] No. 24</a> , i.e., PN regarding the extension of the IIT policies for individual partners of venture capital companies (VCCs)	<ul style="list-style-type: none"> <li>Partners of a VCC may account for their investment returns on an individual investment fund basis. In this respect, capital gains and dividends derived shall be subject to IIT at 20% as investment income.</li> <li>Alternatively, partners of a VCC may account for their annual investment return on a VCC basis. In this respect, such income shall be subject to IIT at progressive rates from 5% to 35% as operating income.</li> </ul>								

Circular Nos. (Cont'd)	Details (Cont'd)
<a href="#">MOF/STA PN [2023] No. 21</a> , i.e., PN regarding VAT policies for supporting the opening-up of the commodity futures market	The bonded delivery of commodity futures that are opened to overseas investors as approved by the State Council shall be temporarily exempt from VAT.
<a href="#">MOF/STA/CSRC PN [2023] No. 26</a> , i.e., PN regarding the extension of IIT policies for supporting the opening-up of the crude oil futures market	Income derived by overseas individual investors from trading of crude oil futures that are opened to overseas investors as approved by the State Council shall be temporarily exempt from IIT.

We will issue a WeChat news article on 1 September 2023 (in Chinese only) to discuss these rules in greater detail. You can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords to access the full contents of the WeChat news article. We will keep an eye on any further developments and advise you accordingly, please stay tuned.

► **PN regarding extending the IIT policies supporting residents in home purchases (MOF/STA/MOHURD PN [2023] No. 28)**

**Synopsis**

To support residents in improving their housing conditions, the MOF, STA, and Ministry of Housing and Urban-Rural Development (MOHURD) jointly announced MOF/STA/MOHURD PN [2023] No. 28 ("PN 28") on 18 August 2023 to extend the IIT policies supporting residents in home purchases.

According to PN 28, from 1 January 2024 to 31 December 2025, individuals who sell their own residential property and repurchase a new property within one year of selling their residence will be eligible for a refund on IIT paid for their previous sales. Detailed calculations are as follows:

	Amount of IIT refundable
Purchase price of the new property $\geq$ the selling price of the previous residence	= Entire amount of IIT paid in the previous sale
Purchase price of the new property $<$ the selling price of the previous residence	= IIT paid for sale of previous residence $\times$ (Purchase price of new property $\div$ Selling price of previous residence)

To be eligible for the IIT refund, taxpayers are required to meet certain conditions, such as selling and repurchasing properties within the same city.

Relevant individuals are encouraged to read PN 28 for more details and make appropriate arrangements.

You can click this link to access the full contents of PN 28:

<https://www.chinatax.gov.cn/chinatax/n363/c5211155/content.html>



► **PN regarding the extension of the preferential IIT policy for the Guangdong-Hong Kong-Macau Greater Bay Area (Caishui [2023] No. 34)**

**Synopsis**

On 18 August 2023, the MOF and STA jointly released Caishui [2023] No. 34 (“Circular 34”) to extend the IIT preferential policy for the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) from 1 January 2024 to 31 December 2027.

Accordingly, overseas high-end and urgently needed talents who work in the GBA (hereinafter referred to as “overseas talents”) shall continue to 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 paid to the individuals shall be exempt from IIT.

Individuals and employers in the GBA are advised to refer to Circular 34 and the relevant local implementation measures for detailed information.

<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 34:

[https://szs.mof.gov.cn/zhengcefabu/202308/t20230825\\_3904086.htm](https://szs.mof.gov.cn/zhengcefabu/202308/t20230825_3904086.htm)

► **Notice regarding enhancing the implementation of fiscal support policies to promote high-quality development of small and medium-sized enterprises (SMEs) (Caiyu [2023] No. 76)**

► **Guidelines on preferential tax and fee policies for supporting the development of small and micro-sized enterprises and self-employed industrial and commercial households (Version 1.0)**

**Synopsis**

To better implement various fiscal and tax support policies to promote high-quality development of SMEs, on 20 August 2023, the MOF released Caiyu [2023] No. 76 (“Circular 76”) enhancing the implementation of these fiscal and tax support policies.

Circular 76 reiterates the timely and full implementation of tax and fee reduction policies for relevant enterprises, and prevention of excessive taxes and fees. Additionally, Circular 76 also highlights the implementation of supporting policies, such as government procurement and stabilizing employment to help accelerate the development of SMEs.

On the other hand, on 18 August 2023, the STA issued guidelines on preferential tax and fee policies for supporting the development of small and micro-sized enterprises and self-employed industrial and commercial households (Version 1.0) (hereinafter referred to as the “Guidelines”). The Guidelines compile 14 prevailing preferential tax and fee policies that may apply to small and micro-sized enterprises and self-employed industrial and commercial households, providing taxpayers with an easy reference.

Relevant enterprises and individuals are advised to refer to Circular 76 and the Guidelines for details to fully utilize the benefits offered. If there are any uncertainties, it is always recommended to seek consultations with professionals.

You can click this link to access the full contents of Circular 76:

[http://yss.mof.gov.cn/zhengceguizhang/202308/t20230824\\_3903984.htm](http://yss.mof.gov.cn/zhengceguizhang/202308/t20230824_3903984.htm)

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

<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5210955/content.html>



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

- ▶ **PN regarding extending the preferential tax policies for public rental housing (MOF/STA PN [2023] No. 33)**  
<https://www.chinatax.gov.cn/chinatax/n368/c5211156/content.html>
- ▶ **PN regarding the “Catalog of Non-transport Special Operations Vehicles Equipped with Fixtures That Are Exempt from Vehicle Purchase Tax” (10th batch) (STA/MIIT PN [2023] No. 13)**  
<http://www.chinatax.gov.cn/chinatax/n371/c5211041/content.html>
- ▶ **Republic of China and the Republic of South Africa**  
[https://www.gov.cn/yaowen/liebiao/202308/content\\_6899647.htm](https://www.gov.cn/yaowen/liebiao/202308/content_6899647.htm)
- ▶ **Decisions on the amendment and abolishment of certain administrative regulations including the “Administrative Measures on Tax Invoices” (State Council Order [2023] No. 764)**  
[https://www.gov.cn/zhengce/content/202308/content\\_6899248.htm](https://www.gov.cn/zhengce/content/202308/content_6899248.htm)
- ▶ **Provisional Regulations on Accounting Treatment of Enterprise Data Resources (Caikuai [2023] No. 11)**  
[http://kjs.mof.gov.cn/zhengcefabu/202308/t20230821\\_3903354.htm](http://kjs.mof.gov.cn/zhengcefabu/202308/t20230821_3903354.htm)
- ▶ **PN regarding implementing the mutual recognition of “Authorized Economic Operator (AEO)” between the Customs of China and Serbia (GAC PN [2023] No. 102)**  
<http://www.customs.gov.cn/customs/302249/2480148/5260901/index.html>
- ▶ **Supplementary notice regarding the leasing of bonded goods in comprehensive bonded zones (GAC PN [2023] No. 104)**  
<http://www.customs.gov.cn/customs/302249/2480148/5279724/index.html>



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