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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

► **Solicitation of Opinions on the Second Draft of the Value-Added Tax (VAT) Law of the People's Republic of China**

Synopsis

On 28 August 2023, the Second Draft of the VAT Law of the People's Republic of China (hereinafter referred to as the "Second Draft") was submitted to the Fifth Session of the Standing Committee of the 14th National People's Congress (NPC) for deliberation. Subsequently, the Second Draft was officially announced on the official website of the NPC on 1 September 2023 to seek public opinions. The solicitation of public opinion shall be opened for 30 days till 30 September 2023.

Aiming to further enhance the accuracy and enforceability of taxation, the Second Draft has proposed the following revisions:

- ▶ Narrowed certain tax legislative authorizations
- ▶ Clearly defined specific situations for simplified VAT taxation
- ▶ Specified the standards for small-scale taxpayers
- ▶ Allowed taxpayers to handle their retained VAT credits at their own discretion
- ▶ Further clarified the scope and requirements for authorizing the State Council to formulate specific preferential policies
- ▶ Specified that the amount of VAT shall be separately stated on transaction vouchers

More specifically, according to Article 6 of the Second Draft, for the first time, it mentioned that the amount of VAT shall be separately stated on transaction vouchers. However, the definition of transaction vouchers is not provided in the Draft. In a commercial context, it is not unreasonable to conclude that the transaction vouchers may typically refer but not limited to bills, invoices, orders, and contracts.

Our indirect tax team has published a WeChat news article (in Chinese) on 4 September 2023 to discuss the Second Draft in detail. You can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords or click the following link for more information.

Concerned taxpayers are suggested to read the Second Draft and are encouraged to express opinions on or before 30 September 2023 by sending mails or logging onto <http://www.ndrc.gov.cn> or flk.npc.gov.cn.

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

<http://www.npc.gov.cn/flcaw/userIndex.html?id=ff8081818a1cb546018a49c4930940cf>

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

<https://mp.weixin.qq.com/s/K9KLZf-jiTulkwV-aFyJwg>

▶ **Central government authorities released a series of Individual Income Tax (IIT) policies**

Synopsis

Recently, the central government authorities released a series of IIT policies, including the enhancement of certain specific additional deductions, and extending the preferential IIT treatments with the aim to ease tax burden of the relevant individuals.

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
<i>Enhance the amount of certain specific additional deductions for IIT purposes</i>	
Guofa [2023] No. 13 , i.e., Notice regarding raising amount for specific additional deductions for IIT purposes	<ul style="list-style-type: none">▶ Deduction for children education (for children from the age of three to doctoral education) is raised to RMB2,000 per month per child from RMB1,000
STA PN [2023] No. 14 , i.e., PN regarding issues related to the implementation of the policies on raising amount for specific additional deductions additional deductions	<ul style="list-style-type: none">▶ Deduction for care of infants and children under the age of three is raised to RMB2,000 per month per child from RMB1,000▶ Deduction for caring for elderly is raised to RMB3,000 per month from RMB2,000 <p>The above adjustments took retroactive effect from 1 January 2023.</p>

Circular nos. (Cont'd)	Details (Cont'd)
<i>Extending IIT Preferential Treatments: Avoiding Abolishment originally set for 1 January 2024</i>	
MOF/STA PN [2023] No. 29 , PN regarding extending the preferential IIT policies for expatriates	<p>Further extend the IIT treatment on tax-exempt benefits for expatriates <u>until 31 December 2027</u>.</p> <p>During this period, expatriates may still choose to enjoy applicable specific additional deductions (i.e., children education, continued education, etc.) or the existing tax-exempt benefits including subsidies of housing, language training and children's education.</p>
MOF/STA PN [2023] No. 30 , i.e., PN regarding extending the preferential IIT policies on annual one-off bonus	<p>The existing IIT treatment for annual one-off bonus, i.e., allowing taxpayers to calculate their annual one-off bonus separately from their consolidated income by dividing the amount by 12 to determine the applicable tax rates, is extended <u>until 31 December 2027</u>.</p>
MOF/STA PN [2023] No. 32 , i.e., PN regarding extending the policies for annual IIT filing for consolidated income	<p>From <u>1 January 2024 to 31 December 2027</u>, a resident taxpayer whose withholding agent has properly withheld IIT during the year shall not be required to complete the annual IIT filing if:</p> <ul style="list-style-type: none"> ▶ The individual has an annual consolidated income of no more than RMB120,000 and has an IIT underpayment to be settled in the annual IIT filing; or ▶ The individual has IIT underpayment of RMB400 or less for the year.
MOF/STA PN [2023] No. 31 , i.e., PN regarding extending the preferential IIT policies for an ocean seafarer	<p><u>Until 31 December 2017</u>, an ocean seafarer who accumulates a total of 183 days of sailing time within a tax year is eligible to have 50% of their wages and salaries deducted from the IIT taxable income.</p>

Our people advisory service (PAS) team has published a WeChat news article (in Chinese) on 31 August 2023 to discuss the relevant circulars in greater detail. You can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search keywords or click the following link to access the full contents of the WeChat news article.

You can click this link to access the full contents of the WeChat news article:

<https://mp.weixin.qq.com/s/VITpOW-5UttkzpZM6TXyww>



► **Notice regarding the requirements for formulating the list of integrated circuit (IC) enterprises eligible for "super input VAT credit" policy in 2023 (Gongxinbuliandianzhan [2023] No. 228)**

Synopsis

According to Caishui [2023] No. 17 ("Circular 17", i.e., Notice regarding the "super input VAT credit" policy for IC enterprise), general VAT taxpayers engaging in IC design, manufacturing, equipment, materials, packaging, and testing (hereinafter collectively referred to as "IC enterprises") would be eligible for an extra 15% super input VAT credit from 1 January 2023 to 31 December 2027.

On 28 August 2023, the Ministry of Industry and Information Technology (MIIT), National Development and Reform Commission (NDRC), Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released Gongxinbuliandianzhan [2023] No. 228 ("Circular 28") to further specify the scope, criteria, application materials, application timeline and administration of qualified IC enterprises (hereinafter referred to as the "Circular 228").

According to Circular 228, eligible taxpayers would be required to lodge their applications to be listed as "qualified IC enterprises" online from 1 September 2023 to 20 September 2023. The print-out receipt of the application should be affixed with the company chop and submitted to local competent departments under MIIT together with the supporting documents.

After that, applicants would be able to check via the online system whether they are included in the list of qualified IC enterprises after 31 October 2023. Once the list is officially announced, the IC enterprises included in the list would be able to claim eligible super input VAT credit from January 2023 up to the current period altogether.

As the deadline for the application is approaching, relevant enterprises are advised to read Circular 228 and get prepared for the application as soon as possible.

You can click this link to access the full contents of Circular 228:

https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_205782aa522d47c4aac41a0c643e46de.html

You can click this link to access the full contents of Circular 17:

<https://www.chinatax.gov.cn/chinatax/n810341/n810765/c102408/202304/c5210083/content.html>

► **Application guidelines on IIT subsidies for overseas high-end and urgently needed talents in Shenzhen for years 2021 and 2022 (Shencaifa [2023] No. 31)**

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 mainland GBA cities¹ 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 competent government authorities in Shenzhen announced the "application guidelines on IIT subsidies for overseas high-end and urgently needed talents in Shenzhen for years 2021 and 2022" (hereinafter referred to as the "Shenzhen Guidelines") on 28 August 2023 to launch the application:

- An applicant who derived salaries and wages in 2021 and 2022 should access the official website of Guangdong Government Services to lodge the application and submit the relevant documentations from 1 September 2023 to 30 September 2023. The application shall be submitted to the applicant entity (the applicant's employer) for further review and completion. In turn, the applicant entity reviews the applicants' application and complete the application by 30 September 2023.
- An applicant who derived remuneration for personal services may complete the application online on his/her own.

Notably, applicants should meet the minimum working day criteria, i.e., 90 working days for 2021/2022 in Shenzhen.

Applicants are encouraged to read the Shenzhen Guidelines and assess if they are qualified for the subsidies before lodging the applications. If in doubt, consultations with professionals are always recommended.

¹ 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 the Shenzhen Guidelines:

http://szfb.sz.gov.cn/xwzx/tzgg/content/post_10812077.html

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

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

► **Notice regarding the extension of tax policies for disposal of non-performing assets of banking financial institutions and financial asset management companies (MOF/STA PN [2023] No. 35)**

Synopsis

To continue supporting the disposal of non-performing assets by banking and financial institutions, and financial asset management companies (hereinafter referred to as "financial institutions"), the MOF and STA jointly released MOF/STA PN [2023] No. 35 ("PN 35") on 21 August 2023 to announce the following tax policies:

Types of taxes	Detailed treatments
VAT	Financial institutions that are general taxpayers, can choose to deduct the full consideration and incidental expenses obtained when disposing of non-performing properties against the sales amount for VAT calculation at the rate of 9%.
Stamp Duty (SD)	SD is exempt for contracts, ownership transfer documents, and business books involved in the receipt and disposal of debt assets by financial institutions. However, other parties involved in the contracts or ownership transfer documents are still subject to SD.
Deed tax (DT)	Financial institutions are exempt from DT on the receipt of debt assets.
Real Estate Tax (RET), Urban Land Usage Tax (ULUT)	Local authorities may grant exemptions or reductions on RET or ULUT for properties for debt repayment held by financial institutions according to the prevailing tax rules.

PN 35 are effective from 1 August 2023 to 31 December 2027. Taxpayers concerned are advised to refer to PN 35 for further details.

You can click this link to access the full contents of PN 35:

<https://www.chinatax.gov.cn/chinatax/n359/c5211162/content.html>

► **PN regarding 50% reduction of SD on securities transactions (MOF/STA PN [2023] No. 39)**

Synopsis

To stimulate the capital market and boost investors' confidence, the MOF and STA jointly released MOF/STA PN [2023] No. 39 ("PN 39") on 27 August 2023.

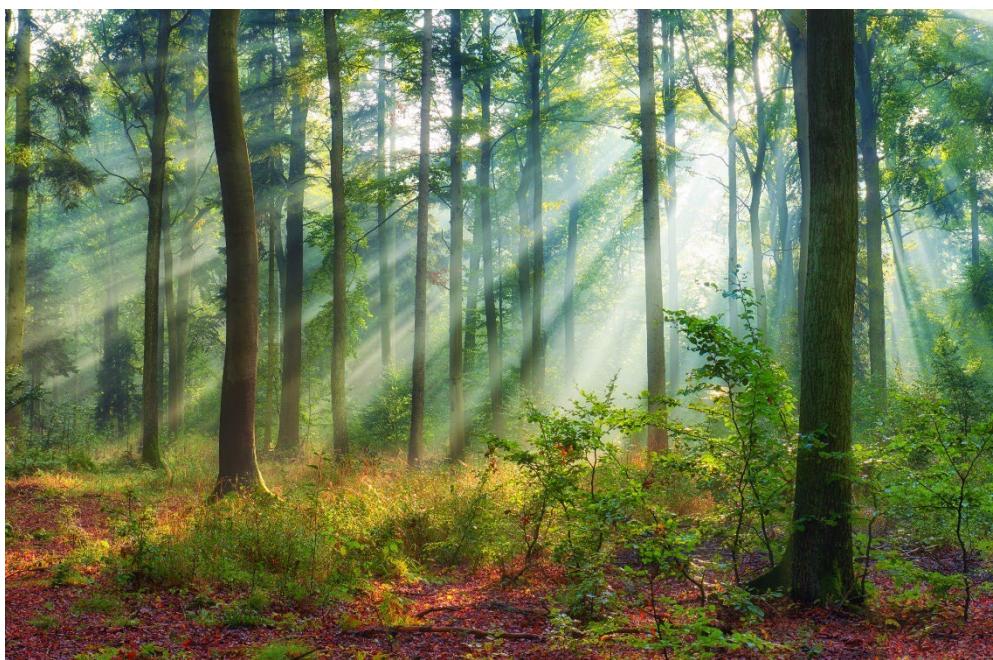
According to PN 39, the SD levied on securities transactions will be halved, effective from 28 August 2023.

You can click this link to access the full contents of PN 39:

http://szs.mof.gov.cn/zhengcefabu/202308/t20230827_3904226.htm

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

- ▶ **PN regarding tax policies for civil aviation engines and civil aircrafts (MOF/STA PN [2023] No. 27)**
<https://www.chinatax.gov.cn/chinatax/n359/c5211159/content.html>
- ▶ **Notice regarding extending the preferential tax policies for imported exhibits sold during the period of the China International Fair for Trade in Services (Caiquanshui [2023] No. 15)**
http://gss.mof.gov.cn/gzdt/zhengcefabu/202308/t20230830_3904899.htm
- ▶ **Implementation measures for regulations on the administration of enterprise name registration (SAMR Order [2023] No. 82)**
https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2023/art_1e269e76abdb405ab5253b7c78e45f6a.html
- ▶ **Development Plan of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone Shenzhen Park (Guofa [2023] No. 12)**
https://www.gov.cn/zhengce/content/202308/content_6900742.htm
- ▶ **Implementation standards of administrative approval items in the field of market supervision (SAMR PN [2023] No. 39)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1124968&itemId=928>
- ▶ **Notice regarding regulating the data services for currency brokerage companies (Jinfa [2023] No. 6)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1124968&itemId=928>
- ▶ **PN regarding adjusting the quality control measures for the export of epidemic prevention materials (MOFCOM/GAC/SAMR/NMPA PN [2023] No. 32)**
<http://www.mofcom.gov.cn/article/zcfb/zcdwmy/202308/20230803436393.shtml>
- ▶ **PN regarding relaxing rules on health declaration for cross-border travelers (GAC PN [2023] No. 106)**
<http://www.customs.gov.cn/customs/302249/2480148/5293086/index.html>



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