



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.

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Tax circulars

- ▶ **Public notice (PN) regarding raising the super deduction ratio of research and development (R&D) expenses of integrated circuit (IC) enterprises and enterprises that produce and sell advanced industrial machinery (MOF/STA/NDRC/MIIT PN [2023] No. 44)**

Synopsis

According to the prevailing MOF/STA PN [2023] No. 7 ("PN 7", i.e., PN regarding further improving the policy on super deduction of R&D expenses), all eligible enterprises¹ can claim a 200% super deduction of R&D expenses instead of 175% from 1 January 2023.

To further encourage enterprises to engage in R&D innovation and promote high-quality development of the IC industry and industrial machine industry, the Ministry of Finance (MOF), State Taxation Administration (STA), National Development and Reform Commission (NDRC), and Ministry of Industry and Information Technology (MIIT) jointly released MOF/STA/NDRC/MIIT PN [2023] No. 44 ("PN 44") on 12 September 2023.

According to PN 44, from 1 January 2023 to 31 December 2027, IC enterprises and enterprises that produce and sell advanced industrial machinery will be eligible for an enhanced Corporate Income Tax (CIT) super deduction policy, i.e., the 220% super deduction of R&D expenses (instead of the previous 200%):

- ▶ Eligible enterprises are allowed to claim a 220% super deduction on qualified R&D expenses actually incurred for CIT purposes.
- ▶ Eligible enterprises can also amortize the intangible assets based on 220% of the actual costs incurred, if the R&D expenses incurred have been capitalized.

Relevant enterprises are encouraged to read PN 44 for more details and fully leverage the benefits offered. If in doubt, consultations with professionals are always recommended.

¹ According to prevailing regulations, enterprises engaging in certain industries are not allowed to claim super deduction on R&D expenses, i.e., manufacturing of tobacco, lodging and catering, wholesale and retail, real estate, leasing and commercial services, entertainment, and other industries to be specified by the MOF and STA.

You can click this link to access the full contents of PN 44:

http://szs.mof.gov.cn/zhengcefabu/202309/t20230918_3907700.htm

You can click this link to access the full contents of PN 7:

http://szs.mof.gov.cn/zhengcefabu/202303/t20230327_3874849.htm

▶ **PN regarding the simplification of requirements for reporting the information of overseas investment and income of resident enterprises (STA PN [2023] No. 17)**

Synopsis

To further deepen the “streamlining administration, delegating powers, and improving services” reform of the tax system and optimize the business environment, the STA issued STA PN [2023] No. 17 (“PN 17”) on 7 September 2023, revising the report forms of overseas investments and income of resident enterprises. These revision aims to streamline and optimize the contents and methods of information reporting.

Key features of PN 17 include:

- ▶ A resident enterprise or domestic partnership enterprise that directly or indirectly holds 10% or more of the shares or voting rights of a foreign enterprise on any day in a tax year shall submit the simplified “Report Form of Information of Resident Enterprise Overseas Investment” (i.e., the attachment of PN 17) to the competent tax authorities when handling the annual CIT filing for that year.
- ▶ When determining control, the shareholding percentages of multiple layers of indirect shareholdings are multiplied according to each layer’s ownership ratio. If the intermediate layer holds more than 50% of the shares, it is deemed to be 100%.

PN 17 will come into effect from 10 October 2023, and it shall apply to annual information reports from 2023 onwards (i.e., by the end of May 2024). PN 17 also applies to non-resident enterprises that establish institutions or premises in China and earn income from activities occurring overseas that are directly related to their establishment in China.

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

<https://www.chinatax.gov.cn/chinatax/n362/c5212176/content.html>

You can click this link to access the full contents of STA’s official interpretation on PN 17:

<https://www.chinatax.gov.cn/chinatax/n810341/n810760/c5212177/content.html>

- ▶ **PN regarding extending the 12th set of exclusions to the goods originating from the United States that are imposed with additional tariffs (Customs Tariff Commission [2023] No. 7)**

Synopsis

According to Customs Tariff Commission PN [2023] No. 1 ("PN 1", i.e., PN regarding extending the 10th set of exclusions to the goods originating from the United States that are imposed with additional tariffs), goods in the list of PN 1 shall not be imposed with additional tariffs until 15 September 2023. In this respect, on 11 September 2023, the Customs Tariff Commission released Customs Tariff Commission PN [2023] No. 7 ("PN 7") to extend this exclusion.

Accordingly, 124 types of goods listed in the attachment of PN 7 continue to be excluded from additional tariffs imposition against the US Section 301 measures from 16 September 2023 to 30 April 2024.

You can click this link to access the full contents of PN 7:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202309/t20230913_3906830.htm

You can click this link to access the full contents of PN 1:

http://gss.mof.gov.cn/gzdt/zhengcefabu/202302/t20230215_3866623.htm

Business circular

- ▶ **Measures for supporting the development of headquarter economy in the Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone (PFTZ) (Huzimaolinguanquifan [2023] No. 14)**

Synopsis

To further implement Notice regarding the Overall Plan of the Lin-gang Special Area of China (Shanghai) PFTZ (hereinafter referred to as "Overall Plan") and regulations on encouraging multinational companies to establish regional headquarters in Shanghai, the Administration Committee of the Lin-gang Special Area of China (Shanghai) PFTZ (hereinafter referred to as "Lin-gang") released Huzimaolinguanquifan [2023] No. 14 ("Circular 14") on 5 September 2023.

According to Circular 14, eligible headquarter institutions in Lin-gang shall be eligible to multiple support policies and incentives which include:

- ▶ Settlement and development subsidies with a cap at RMB30 million, based on its paid-up registered capital;
- ▶ Office rental subsidies for self-occupied office space;
- ▶ Coordinative supporting measures, e.g., facilitation for key talent recruitment, facilitation for immigration, etc.

Circular 14 will be effective from 5 October 2023 to 31 August 2028. Headquarter institutions that meet the provisions of these measures from 1 September 2019 to 4 October 2023 can refer to Circular 14 as well.

Relevant parties, especially businesses in Lin-gang or headquarters that are considering setting up in East China are advised to read Circular 14 in detail and consider own eligibility to the benefits offered.

You can click this link to access the full contents of Circular 14:

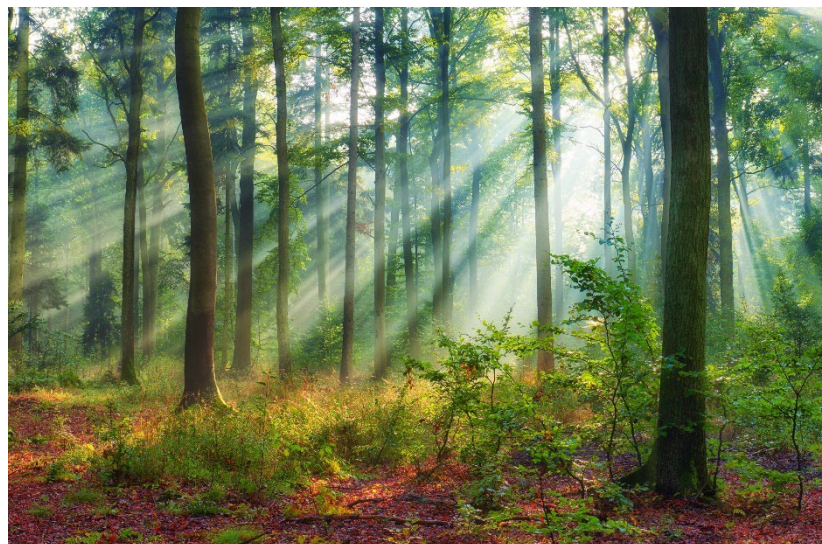
<https://www.lingang.gov.cn/html/website/lq/index/government/file/1699708150408646658.html>

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

https://www.gov.cn/zhengce/content/2019-08/06/content_5419154.htm

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

- ▶ **PN regarding the “General Standards for Tax Consultation Services (Trial)” and the “Professional Conduct for Tax Consultation Services (Trial)” (SAT PN [2023] No. 16)**
<https://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5211767/content.html>
- ▶ **Catalog of Non-transport Special Operations Vehicles Equipped with Fixtures That Are Exempt from Vehicle Purchase Tax (11th batch) (STA/MIIT PN [2023] No. 15)**
<https://www.chinatax.gov.cn/chinatax/n371/c5211733/content.html>
- ▶ **Notice regarding the “Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (53rd Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (69th Batch)”, etc. (MIIT PN [2023] No. 21)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art_61fa01e4838e407194ffcd41ea0e00b2.html
- ▶ **Opinions on supporting Fujian to explore a new development pattern and building Fujian into a demonstration zone for the integrated development across the Taiwan Strait**
https://www.gov.cn/zhengce/202309/content_6903509.htm
- ▶ **Anti-monopoly Compliance Guidance for the Concentration of Business Operators (Guoshijianfanzhierfa [2023] No. 74)**
https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fldj/art/2023/art_b463be894b4d40d487d8d099a4df60f5.html
- ▶ **Measures for Advancement of Enterprise Standardization (SAMR PN [2023] No. 83)**
https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2023/art_cd0ac0e159904c65b60c67edf9719c10.html
- ▶ **Rules on the Execution of Administrative Fines (CSRC PN [2023] No. 51)**
<http://www.csrc.gov.cn/csrc/c101954/c7430898/content.shtml>
- ▶ **Three-year action plan on the innovative development of the metaverse industry (2023-2025) (Gongxintinglianke [2023] No. 49)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2023/art_e715a9d4611742d5a5f7a4f36ea74974.html
- ▶ **Administrative measures on special funds for the development of inclusive finance (Caijin [2023] No. 75)**
http://jrs.mof.gov.cn/zhengcefabu/phjr/202309/t20230912_3906595.htm



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