

A large blue and red offshore supply ship is sailing on the ocean. The ship has a complex structure with various equipment and cranes on its deck. The water is a deep blue, and the sky is a lighter blue with some clouds.

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.

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Tax circulars

- ▶ **Public notice (PN) regarding extending the Deed Tax (DT) policies for supporting the reorganization and restructuring of enterprises and public institutions (MOF/STA PN [2023] No. 49)**
- ▶ **PN regarding extending Land Appreciation Tax (LAT) policies related to restructuring and reorganization of enterprises (MOF/STA PN [2023] No. 51)**

Synopsis

To further support the restructuring and reorganization of enterprises/public institutions and optimize the market environment, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2023] No. 49 (PN 49) and MOF/STA PN [2023] No. 51 (PN 51) on 22 September 2023 to extend the prevailing DT and LAT policies related to transfer and alteration of titles of land use rights and buildings (hereinafter referred to as the “real estates”) during reorganization and restructuring from 1 January 2024 to 31 December 2027.

Key features of PNs 49 and 51 are as follows:

Categories	Preferential DT policies	Preferential LAT policies ¹
Restructuring of enterprises	<p>The title transfer of real estates from a pre-restructuring enterprise to a post-restructuring enterprise shall be exempt from DT after the entire restructuring², provided that:</p> <ul style="list-style-type: none"> ▶ Original investors of the pre-restructuring enterprise retain more than 75% equity of the post-restructuring enterprise; and ▶ Rights and obligations will be inherited by the post-restructuring enterprise. 	<p>Under an overall restructuring², the transfer and alteration of titles of real estates from the pre-restructuring enterprise to the post-restructuring enterprise, shall not be subject to LAT for the time being.</p> <p>The abovementioned overall restructuring shall not result in a change of investors of the pre-restructuring enterprise whose rights and obligations will be inherited by the post-restructuring enterprise.</p>
Restructuring of public institutions	The title transfer of real estates of a public institution, which will be transformed into an enterprise after the restructuring according to prevailing laws and provisions shall be exempt from DT, provided that the original investors of the public institution retain more than 50% equity of the post-restructuring enterprise after the restructuring.	Not mentioned in PN 51.
Merger	In a merger of companies, in accordance with the prevailing laws and agreements, real estates obtained by a post-merger company shall be exempt from DT provided that the <u>original investors of the pre-merger companies retain.</u>	Where two or more companies are merged into one and <u>the original investors of the pre-merger companies retain</u> , the transfer and alteration of title of real estates from the pre-merger companies to the post-merger company shall not be subject to LAT for the time being.
Split	In a split, according to the prevailing laws and agreements, real estates obtained from a pre-split company shall be exempt from DT provided that <u>the original investors are unchanged</u> ³ after the split.	Where a company is split into two or more while <u>the original investors are unchanged</u> ³ , the transfer and alteration of title of real estates from the pre-split company to the post-split companies shall not be subject to LAT for the time being.
Bankruptcy	<ul style="list-style-type: none"> ▶ Where an enterprise goes bankrupt according to the prevailing laws and regulations, and the titles of real estates are transferred to its creditors (including its employees) as payment of debts, DT shall be exempt. ▶ Where an enterprise goes bankrupt and the titles of its real estates are obtained by a non-creditor, DT shall be exempt if the non-creditor assumes the employment contracts with all employees of the bankrupt enterprise for no less than three years. ▶ Where an enterprise goes bankrupt and the titles of its real estates are obtained by a non-creditor, DT shall be subject to a 50% reduction if the non-creditor assumes employment contracts with more than 30% of employees of the bankrupt enterprise for no less than three years. 	Not mentioned in PN 51.

Categories (Cont'd)	Preferential DT policies (Cont'd)	Preferential LAT policies ¹ (Cont'd)
Transfer of assets	<ul style="list-style-type: none"> Where the state-owned asset administration departments or local governments at the county level or above adjust or reallocate the titles of real estates of an entity, DT related to the title transfer of real estates shall be exempt. During reorganization or restructuring of enterprises, DT shall be exempt if the transfer is between the enterprises held by the same investor (including transfers between a parent company and its wholly owned subsidiaries, between two subsidiaries wholly owned by a company, or between a natural person and his/her sole proprietorship or one-person limited liability company). The title transfer of real estates of a parent company to its wholly owned subsidiary shall be exempt from DT if the purpose of the transfer is capital increase. 	Not mentioned in PN 51.
Debt-to-equity swap	A title transfer of real estates during a debt-to-equity swap approved by the State Council shall be exempt from DT.	Not mentioned in PN 51.
Transfers or investments	DT shall be levied where the land use right of a piece of land previously allocated to a pre-reorganization enterprise or a public institution by the government is acquired by way of transfers or investments by the State during the reorganization.	Where an entity or individual makes investments with real estates during the restructuring and reorganization, the transfer and alteration of title of real estates from the entity or individual to the investee enterprise shall not be subject to LAT for the time being.
Share transfers	DT shall not be levied on share transfers of a company if the ownership of real estate remains unchanged.	Not mentioned in PN 51.

Relevant taxpayers are encouraged to read PNs 49 and 51 for more details and fully enjoy the preferential policies offered during the reorganization and restructuring. There are other similar preferences related to Corporate Income Tax (VAT) and VAT, taxpayers can consider all together when implementing restructuring plan. If in doubt, consultations with professionals are always recommended.

¹ The abovementioned preferential LAT policies shall not apply if either one party involving in the restructuring and reorganization is a real estate developer.

² Pursuant to the Company Law of the People's Republic of China, overall restructuring means that, a non-company enterprise is restructured as a limited liability company (LLC) or a joint stock company (JSC), or an LLC is altered as a JSC, or a JSC is altered as an LLC.

³ "The original investors are unchanged" means that the original investors still retain equities in the post-restructuring/reorganization company after the restructuring/reorganization but the ratio of equities they retained may be varied.

You can click this link to access the full contents of PN 49:

http://szs.mof.gov.cn/zhengcefabu/202309/t20230928_3909787.htm

You can click this link to access the full contents of PN 51:

http://szs.mof.gov.cn/zhengcefabu/202309/t20230928_3909765.htm

► **Notice regarding further enhancing the administration on the tax handling fees for tax withholding, collection on behalf of tax authorities and authorized tax collection (Shuizongcaiwufa [2023] No. 48)**

Synopsis

On 24 September 2023, the MOF, STA, and People's Bank of China jointly issued Shuizongcaiwufa [2023] No. 48 (Circular 48) an adjustment to the tax handling fees for tax withholding, collection on behalf of tax authorities and authorized tax collection, which took effect from 1 October 2023.

Compared to the previous version of "Notice regarding further enhancing the administration on the tax handling fees for tax withholding, collection on behalf of tax authorities and authorized tax collection", i.e., Caihang [2019] No. 11 (Circular 11), the updated rates and upper limits for tax handling fees are worth-noting:

Types of taxes withheld/collected according to laws and regulations	Rates for tax handling fees	Upper limits for tax handling fees
Taxes withheld according to the prevailing laws and regulations	0.5% (The previous rate was 2%)	RMB700,000 per agent/per year (unchanged)
Vehicle and Vessel Tax collected on vehicles according to the prevailing laws and regulations	1% (The previous rate was 3%)	N/A
Stamp Duty (SD) for stock exchanges collected according to the prevailing laws and regulations	0.03% (Unchanged)	RMB5 million per agent/per year (the previous upper limit was RMB10million per agent/per year)
Other taxes collected according to the prevailing laws and regulations	1% (The previous rate was 2%)	N/A
Vehicle and Vessel Tax withheld on vessels by authorities under the Maritime Administration of the transportation department	5% (Unchanged)	N/A
Vehicle Purchase Tax (VPT) collected by entrusted agents	RMB15 per vehicle (Unchanged)	N/A
Taxes of farmer's market and specialized market collected by entrusted agents	5% (Unchanged)	N/A
Sporadic and remote tax payments collected by entrusted agents	1% (The previous rate was 5%)	N/A

Relevant corporate finance and tax personnel are encouraged to read Circular 48 for more details.

You can click this link to access the full contents of Circular 48:

<https://fgk.chinatax.gov.cn/zcfgk/c102424/c5214506/content.html>

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

https://www.gov.cn/zhengce/zhengceku/2019-10/14/content_5439543.htm



- ▶ **PN regarding extending the Value-added Tax (VAT) policies on supporting the development of cultural enterprises (MOF/STA PN [2023] No. 61)**
- ▶ **PN regarding extending the preferential VAT policies on cultural promotion industry (MOF/STA PN [2023] No. 60)**

Synopsis

To promote the development of cultural enterprises, on 22 September 2023, the MOF and STA jointly released MOF/STA PN [2023] No. 61 (PN 61) to extend VAT policies related to qualified cultural enterprises, which include VAT exemption for revenue derived from sales of movie copies (including digital copies), copyright transfer (including transfer and licensing), movie distribution and movie screening in rural areas; and VAT exemption for basic maintenance fees for cable digital television and basic charges for cable television in rural areas derived by broadcasting and television. PN 61 shall be effective from 1 January 2024 to 31 December 2027.

Meanwhile, the MOF and STA also released MOF/STA PN [2023] No. 60 (PN 60) on the same day to extend the “Levy First and Refund Later” VAT policies and VAT exemption policies for the cultural promotion until 31 December 2027.

Relevant taxpayers are encouraged to read PNs 60 and 61 to assess their eligibilities to enjoy the above-mentioned preferential VAT treatments.

You can click this link to access the full contents of PN 61:

http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909164.htm

You can click this link to access the full contents of PN 60:

http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909095.htm

- ▶ **A few additional noteworthy tax circulars have been extended until 31 December 2027**

Synopsis

Besides the abovementioned circulars, the central government authorities have extended a series of tax policies lately that are worth-noting.

In particular, MOF/STA PN [2023] No. 68 (“PN 68”, i.e., PN regarding extending certain preferential VAT policies) extended the following VAT policies until 31 December 2027:

- ▶ **Intra-group interest-free loans**

Interest-free loans between entities within a corporate group are exempt from VAT.

- ▶ **Medical services**

Qualifying medical services as prescribed in PN 68 provided by a medical institution entrusted by another medical institution are exempt from VAT.



On the other hand, the MOF and STA also extended the following preferential tax policies until 31 December 2027 (please click the respective circular no. in the table below to access the full contents of the respective circular):

Circular nos. and titles	Key features
MOF/STA PN [2023] No. 54 , i.e., PN regarding extending certain preferential tax policies for microfinance companies	Extend the VAT and CIT preferential policies for eligible small loan services provided to rural households by microfinance companies.
MOF/STA PN [2023] No. 55 , i.e., PN regarding extending the CIT policies for supporting the development of rural finance	<ul style="list-style-type: none"> Extend the CIT preferential policies for eligible small loan services provided to rural households by financial institutions. Extend the CIT preferential policies for eligible insurance services provided to rural households by insurance companies.
MOF/STA PN [2023] No. 67 , i.e., PN regarding extending the VAT exemption policies on financial institutions' interest from small-amount farmers' loans	Extend the VAT exemption policies for eligible small loan services provided to rural households by financial institutions.
MOF/STA PN [2023] No. 63 , i.e., PN regarding extending certain VAT policies for the sale of second-hand automobiles	For taxpayers engaging in the trading of second-hand automobiles, the sales of the second-hand automobiles shall be subject to VAT at a reduced rate of 0.5% under the simplified calculation method, with an applicable VAT collection rate of 3%.

Relevant taxpayers are encouraged to refer to the aforementioned circulars for more detailed information.

You can click this link to access the full contents of PN 68:

https://www.gov.cn/zhengce/zhengceku/202309/content_6907003.htm

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

- ▶ **Notice regarding tax policies for insurance guarantee funds (Caishui [2023] No. 44)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230928_3909782.htm
- ▶ **PN regarding extending the tax policies for heat supply enterprises (MOF/STA PN [2023] No. 56)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909222.htm
- ▶ **PN regarding extending the VAT exemption policy on domestic anti-HIV drugs (MOF/STA PN [2023] No. 62)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909093.htm
- ▶ **PN regarding extending the VAT policy for tea sold to border ethnic minority areas (MOF/STA PN [2023] No. 59)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909172.htm
- ▶ **PN regarding extending the CIT exemption policy on enterprises for the production and assembly of specialized supplies for the disabled (MOF/STA/MCA PN [2023] No. 57)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909176.htm
- ▶ **Notice regarding expansion on scope of the pilot tax refund policy for land ports of shipment (Caishui [2023] No. 50)**
http://czt.hebei.gov.cn/root17/zfxx/202309/t20230926_1883356.html

- ▶ **PN regarding extending the Real Estate Tax (RET) and SD policies for college dormitories (MOF/STA PN [2023] No. 53)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214441/content.html>
- ▶ **PN regarding extending the preferential RET and Urban Land Use Tax (ULUT) policies for agricultural product wholesale markets and agricultural commodity markets (MOF/STA PN [2023] No. 50)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214439/content.html>
- ▶ **PN regarding extending certain preferential tax policies for national commodity reserves (MOF/STA PN [2023] No. 48)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214456/content.html>
- ▶ **PN regarding extending the VPT reduction policy on trailers (MOF/STA/MIIT PN [2023] No. 47)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214452/content.html>
- ▶ **PN regarding extending the Resource Tax reduction policy on shale gas (MOF/STA/MIIT PN [2023] No. 46)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214443/content.html>
- ▶ **PN regarding extending the preferential tax policies for rural drinking water safety projects (MOF/STA PN [2023] No. 58)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214447/content.html>
- ▶ **PN regarding tax policies for affordable housing (MOF/STA/MOHURD PN [2023] No. 70)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214577/content.html>
- ▶ **PN regarding extending the Consumption Tax exemption policies on recycled oil products of waste mineral oil (MOF/STA PN [2023] No. 69)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214575/content.html>
- ▶ **PN regarding extending the VAT policies on agriculture-related loans for the rural finance division of the Postal Savings Bank of China (MOF/STA PN [2023] No. 66)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214569/content.html>
- ▶ **PN regarding income tax policies on the interest from railway bonds (MOF/STA PN [2023] No. 64)**
<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5214567/content.html>
- ▶ **PN regarding extending the preferential ULUT policies for urban bus station yards, road passenger transport station yards and urban rail traffic system (MOF/STA PN [2023] No. 52)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230928_3909780.htm
- ▶ **Electronic manual for export tax refunds**
https://guangdong.chinatax.gov.cn/gdsw/wzjd/2023-10/08/content_d524d3f8a91446a3aca129b4ed9f7696.shtml
- ▶ **Notice regarding continuing to implement certain preferential policies on administrative charges and governmental funds (MOF/NDRC PN [2023] No. 45)**
http://szs.mof.gov.cn/zhengcefabu/202309/t20230926_3909159.htm
- ▶ **Measures for boosting tourism consumption to promote the high-quality development of the tourism industry (Guobanfa [2023] No. 36)**
https://www.gov.cn/zhengce/content/202309/content_6907051.htm

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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