



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

- ▶ **Guidelines of the Hengqin Guangdong-Macau In-Depth Cooperation Zone Tax Service, State Taxation Administration (STA) on the declaration of preferential Individual Income Tax (IIT) policies for high-end and urgently-needed talents for 2021 and 2022**

Synopsis

According to Caishui [2022] No. 3 (Circular 3, i.e., Notice regarding the preferential IIT policy for the Hengqin Guangdong-Macau In-Depth Cooperation Zone), for domestic and overseas high-end or urgently needed talents working in the Hengqin Guangdong-Macau In-Depth Cooperation Zone (hereinafter referred to as "Hengqin"), the part of their IIT burden exceeding 15% shall be exempted.



In this regard, on 16 October 2023, the Hengqin Tax Service, STA released the “Guidelines on the declaration of preferential IIT policies for high-end and urgently-needed talents for 2021 and 2022” (hereinafter referred to as the “Hengqin Guidelines”) to launch the application:

Types of qualified applicants	Ways of applications
Qualified resident individuals who derived <u>consolidated income</u> ¹ for years 2021 and 2022	File for the application via the IIT App, e-tax platform, etc.
Qualified non-resident individuals who derived <u>consolidated income</u> for years 2021 and 2022	File for the application via V-tax, or on-site manual applications, etc.
Qualified resident individuals who derived <u>operating income</u> for years 2021 and 2022	File for the application via V-tax, e-tax platform (withholding client/WEB side), etc.

The abovementioned application process for IIT exemption in Hengqin was initiated on 16 October 2023, and no specific deadline has been set. Notably, according to Circular 3, IIT imposed on Macau residents working in Hengqin that exceeds the tax burden in Macau will also be exempted. These individuals would have applied for IIT exemption during the annual IIT filing as a separate arrangement.

Applicants are encouraged to read the Hengqin Guidelines and act accordingly. If in doubt, consultations with professionals are always recommended.

¹ Certain resident individuals who have received consolidated income but were not obligated to complete the annual IIT filing (e.g., due to having no underpaid taxes or not applying for tax refund) are required to complete the annual IIT filing specifically for the purpose of this application.

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

http://guangdong.chinatax.gov.cn/gdsw/zhhqsw_tzgg/2023-10/16/content_e5ba3f26824e4962b1897edb22f71448.shtml

You can click this link to access the full contents of Circular 3:

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/hqzc/qtzc/content/post_3303463.html

► Notice regarding public opinions consultation on the “Decisions on the modification of the ‘Implementation Rules of Administrative Measures on Tax Invoices’ (Discussion Draft)”

Synopsis

To ensure the effective implementation of Administrative Measures on Tax Invoices of the People's Republic of China (PRC), on 16 October 2023, the STA released notice regarding public opinions consultation on the “Decisions on the modification of the ‘Implementation Rules of Administrative Measures on Tax Invoices’ (Discussion Draft)” (hereinafter referred to as “Discussion Draft”) to seek public comments.

The amendment aims to improve the system of invoice management, strengthen the protection of the legitimate interests of taxpayers, and provide institutional guarantee for promoting the electronic invoice. Compared with the current version (i.e., the 2019 Revision), the Discussion Draft adds 14 new articles, deletes 6 articles, and revises 17 articles. The amendments mainly include electronic invoices, security of invoice data, connection with the supreme law, invoices printing, invoice application, and invoice issuance.

The consultation of public opinions will be closed on 14 November 2023. Taxpayers are encouraged to express their opinions by submitting comments through websites of the STA (<http://www.chinatax.gov.cn>), writing emails or letters to the STA (fpssxzyj@163.com).

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

<https://www.chinatax.gov.cn/chinatax/n810356/n810961/c5215227/content.html>

► **Public notice (PN) regarding the public opinion consultation on the “Catalogue of Encouraged Industries in Hainan Free Trade Port (Revised Draft)”**

Synopsis

On 21 October 2023, the National Development and Reform Commission announced the “Catalogue of Encouraged Industries in Hainan Free Trade Port (FTP) (Revised Draft)” (hereinafter referred to as the “Draft Catalogue”) to seek public opinion. The consultation of public opinion shall be opened until 20 November 2023.

Same as the prevailing Catalogue of Encouraged Industries in Hainan FTP (2020 Version) announced via Fagaidiqugui [2021] No. 120 (hereinafter referred to as the “Hainan Catalogue”), the Draft Catalogue contains two parts, i.e., the encouraged industries in existing national industrial catalogues (i.e., the Guiding Catalogue of Industrial Structure Adjustment (2019 Version) and the Catalogue of Encouraged Industries for Foreign Investments (2022 Version)), and the draft Catalogue of Newly Added Encouraged Industries for Hainan FTP (hereinafter referred to as the “Hainan Catalogue of Newly Added Encouraged Industries”).

The proposed Hainan Catalogue of Newly Added Encouraged Industries in the Draft Catalogue further expands the scope of encouraged industries in Hainan FTP by increasing the items of encouraged industries from 143 to 171. Notably, the newly added items include the following:

- Items related to new energy vehicles, such as:
 - Manufacturing of general equipment for new energy vehicles
 - Manufacturing of off-road recreational vehicles and components
 - Development of products and technology for secondary use of batteries in new energy vehicle
- Items related to medical sector, such as:
 - Development and production of generic drugs/medical devices/medical emergency protective supplies (except for those restricted or eliminated by the “Guidance Catalogue of Industrial Structure Adjustment”)
 - Aeromedical evacuation
 - Contract Research Organization (CRO) Services for Biopharmaceuticals
 - Non-clinical Safety Evaluation Services for Pharmaceuticals and Non-clinical Research of Medical Devices
- Items related to food, such as:
 - Research and manufacturing of special foods (i.e., infant formula foods, health foods, special medical purpose formula foods)
 - Development and production of beverages, comprehensive development and utilization of fruit residues, tea residues, coffee residues, etc. (except for those restricted or eliminated by the “Guidance Catalogue of Industrial Structure Adjustment”)

By expanding the scope of encouraged industries in Hainan FTP, it is anticipated that more qualifying enterprises engaging in substantial operations in Hainan FTP shall be eligible for the reduced Corporate Income Tax rate of 15%.

Concerned investors should read the Draft Catalogue and are encouraged to express opinions on or before 20 November 2023 by logging onto <http://www.ndrc.gov.cn>.

You can click this link to access the full contents of the Draft Catalogue:
<https://yyglxbs.ndrc.gov.cn/file-submission/20231019155412464685.pdf>

You can click this link to access the full contents of the Hainan Catalogue:
https://www.ndrc.gov.cn/xxgk/zcfb/gxwj/202101/t20210129_1266472.html

You can click this link to access the full contents of the Guiding Catalogue for Industrial Structure Adjustment:
https://www.gov.cn/zhengce/2021-11/30/content_5713262.htm

► **2022 Statistical Bulletin of China's Outbound Direct Investment**

Synopsis

On 28 September 2023, the Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange jointly released the "2022 Statistical Bulletin on China's Outbound Direct Investment" (hereinafter referred to as the "Bulletin").

The Bulletin consists of six parts, i.e., an overview of China's outbound direct investment, the flow and stocks of China's outbound direct investment, direct investment in major economies around the world, the composition of investors of outbound direct investment, the composition of foreign direct investment enterprises, and annexes.

The Bulletin reflects the current situation of China's outbound direct investment in 2022, and would serve as a good reference for Chinese investors looking to expand their global presence. Going-global enterprises are encouraged to read the Bulletin for more information.

You can click this link to access the full contents of the Bulletin:
<http://www.mofcom.gov.cn/article/bnjg/202309/20230903443704.shtml>

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

- **Notice regarding the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (54th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (70th Batch)" (MIIT PN [2023] No. 25)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2023/art_b7b4517158694d509b170d5ce7efcb1a.html
- **Joint Statement Between the People's Republic of China and the Republic of Chile**
<http://www.beltandroadforum.org/n101/2023/1017/c134-1131.html>
- **Joint Statement Between the People's Republic of China and the Independent State of Papua New Guinea**
<http://www.beltandroadforum.org/n101/2023/1018/c134-1154.html>
- **Notice regarding the adjustments to the responsibility, organization and staffing matters of the People's Bank of China**
https://www.gov.cn/zhengce/202310/content_6908743.htm
- **Implementation Measures on Administrative Licensing Items for Non-bank Financial Institutions (CBIRC Order [2023] No. 3)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1132125>
- **PN regarding the cancellation of record-filing requirements for the origin of enterprises' exports (GAC PN [2023] No. 136)**
<http://www.customs.gov.cn/customs/302249/2480148/5439388/index.html>
- **PN regarding the adjustments to the temporary export controls on certain graphite materials (MOFCOM/GAC PN [2023] No. 39)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202310/20231003447368.shtml>

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