



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

- ▶ **Public notice (PN) regarding the extension of certain tax policies related to the conversion of public institutions engaging in cultural businesses into enterprises during the course of cultural system reform (MOF/STA/Publicity Department of CPC Central Committee PN [2023] No. 71)**

Synopsis

To further support and deepen the reform of the cultural system, on 23 October 2023, the Ministry of Finance (MOF), State Taxation Administration (STA) and Publicity Department of Communist Party of China (CPC) Central Committee jointly released MOF/STA/Publicity Department of CPC Central Committee PN [2023] No. 71 (PN 71), to extend certain tax policies related to the conversion of public institutions engaging in cultural businesses¹ into enterprises until 31 December 2027.

Key preferential tax policies of PN 71 are as follows:

- ▶ The cultural enterprises are exempt from Corporate Income Tax (CIT) for five years following the registration date of the conversion².

- ▶ Upon the conversion, self-used real estates owned by a converted cultural enterprise that is financed by financial departments are exempt from Real Estate Tax for five years following the registration date of the conversion.
- ▶ Revenue by a cultural enterprise from issuance and printing of the publications for the CPC is exempt from Value-added Tax (VAT) starting from the registration date.
- ▶ CIT, VAT, City Construction Tax, Deed Tax and Stamp Duty related to appreciation of asset valuation and asset transfer during the conversion shall be eligible for prevailing preferential tax treatments if applicable.

Additionally, to enjoy the relevant preferential tax policies, converted cultural enterprises shall also meet the criteria including approvals from relevant authorities, registration of legal representative, labor contracts, social security.

Relevant taxpayers are encouraged to read PN 71 for more details and fully enjoy the preferential tax policies for the conversion from public institutions in cultural businesses to enterprises.

¹ According to PN 71, public institutions engaging in cultural businesses refer to institutions engaging in press and publication, broadcasting and television, and cultural art.

² Registration date of the conversion refers to the date on which a public institution engaging in cultural businesses is converted into an enterprise and completes the registration of the enterprise's legal representative.

You can click this link to access the full contents of PN 71:

<https://fgk.chinatax.gov.cn/zcfgk/c102416/c5215589/content.html>

- ▶ **PN issued by the Beijing Municipal Tax Service, STA regarding the pilot program of fully digitalized electronic invoices (Beijing Municipal Tax Service, STA PN [2023] No. 3)**

Synopsis

Previously, according to Beijing Municipal Tax Service, STA PN [2022] No. 3 (2022_PN 3, i.e., PN issued by the Beijing Municipal Tax Service, STA regarding the pilot program on fully-digitalized electronic invoices) and Beijing Municipal Tax Service, STA PN [2022] No. 5 (PN 5, i.e., PN issued by the Beijing Municipal Tax Service, STA regarding further implementing the pilot run of fully digitalized electronic invoices), taxpayers in Beijing could only receive invoices issued by certain taxpayers in the Inner Mongolia Autonomous Region, Shanghai Municipality, Guangdong Province (excluding Shenzhen) and Sichuan Province through the e-invoice service platform as invoice recipients.

To further promote the use of fully digitalized e-invoices, on 27 October 2023, the Beijing Municipal Tax Service, STA released PN [2023] No. 3 (PN 3). PN 3 states that selected taxpayers in Beijing will be able to issue fully digitalized e-invoices to recipients nationwide on a pilot basis, starting from 1 November 2023. Additionally, all taxpayers in Beijing will be able to receive fully digitalized e-invoices issued by taxpayers in other pilot provinces/autonomous regions/municipalities throughout the country. It is important to note that the same practice would also be implemented in Anhui Province, Hunan Province, Qinghai Province, Shandong Province, Guizhou Province, and Ningxia Hui Autonomous Region from 1 November 2023.

Besides, according to the relevant circulars issued by local tax authorities, 29 provinces, autonomous regions, and municipalities, including Shanghai, Guangdong Province, Inner Mongolia Autonomous Region, Sichuan Province, Chongqing, Shaanxi Province, and Tianjin have implemented the issuance of fully digitalized e-invoices with nationwide invoice recipients.

With PN 3 became effective, 2022_PN 3 and PN 5 were abolished simultaneously. Relevant taxpayers are advised to read circulars and guidance released by their local tax authorities for details. We will keep an eye on any further developments and advise you accordingly, please stay tuned.

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

<http://beijing.chinatax.gov.cn/bjswj/sszc/zxwj/202310/37cc06ce4ae44fb9f97d3c3004025ea.shtml>

You can click this link to access the full contents of 2022_PN 3:

<http://beijing.chinatax.gov.cn/bjswj/sszc/zxwj/202206/315b1449e6c84ba8ad0230bd1e9494b7.shtml>

You can click this link to access the full contents of PN 5:

<http://beijing.chinatax.gov.cn/bjswj/sszc/zxwj/202211/99bc9fe34d1546488ec70472f008e37e.shtml>

You can click this link to access the full contents of the local circulars of Anhui, Hunan, Qinghai, Shandong, Guizhou Provinces and Ningxia Hui Autonomous Region:

http://anhui.chinatax.gov.cn/art/2023/10/27/art_13773_63600.html

<http://hunan.chinatax.gov.cn/show/20231026943230>

<http://qinghai.chinatax.gov.cn/web/zxtz/202310/6403365a696c46ca82855aaed7c74408.shtml>

http://shandong.chinatax.gov.cn/art/2023/10/27/art_1053_23241.html?xxgktype=1

https://guizhou.chinatax.gov.cn/xxqk/tzgg/202310/t20231027_82875993.html

http://ningxia.chinatax.gov.cn/art/2023/10/27/art_10881_316203.html

Business circulars

- ▶ **Notice issued by the Commerce Bureau of Shenzhen regarding the application for the 2023 reward projects for utilizing foreign investments of recognized multinational headquarter enterprises**
- ▶ **Notice issued by the Financial Development Bureau of Guangdong-Macau In-Depth Cooperation Zone in Hengqin (Hengqin) regarding extending the application period for funds for recognized leading enterprises for the year 2022**

Synopsis

Recently, the local authorities in Shenzhen and Hengqin announced the application for local financial rewards for multinational headquarters enterprises (in Shenzhen) and recognized leading enterprises (in Hengqin), respectively, through two notices (hereinafter referred to as the "Shenzhen Notice" and "Hengqin Notice").

Key features of the Shenzhen Notice and Hengqin Notice are as follows:

Locations	Applicable enterprises	Applicable rewards	Application process
Shenzhen	Multinational headquarter enterprises whose annual actual utilization of foreign investment is not less than US\$20 million ³	A reward of up to RMB6 million	The applicants should log onto http://www.gdzfw.gov.cn/ to complete the application from 24 October 2023 to 30 October 2023 (by 6:00 pm).
Hengqin	Leading enterprises that meet relevant requirements on the industry, place of registration, tax jurisdiction, company account opening bank, revenue, legal status, etc. ⁴	Various rewards are available	The applicants should log onto https://ycfz.hengqin.gov.cn/#/home to complete the application by 15 November 2023.

Eligible applicants who are intended to apply for the abovementioned rewards are advise to read the Shenzhen Notice and Hengqin Notice in detail.

³ Capital invested in real estate, financial, and similar financial sectors (including but not limited to the purchase of land, buildings, financial products, establishment of equity investment funds, etc.) are not eligible for the reward.

⁴ The detailed criteria, available subsidies and rewards, and the application procedures are prescribed in the Support Measures of Hengqin for Promoting Substantial Operation and Development of Leading Enterprise (hereinafter referred to as the "Support Measures") and previously released Notice from the Economic Development Bureau of Hengqin regarding the initiation of the identification and fund application process for leading enterprises in Hengqin for 2022 (hereinafter referred to as the "Notice").

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

http://commerce.sz.gov.cn/xxgk/qt/tzgg_1/content/post_10902949.html

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

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3589515.html

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

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/hqzc/cyzc/content/post_3469014.html

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

http://www.hengqin.gov.cn/macao_zh_hans/zwgk/tzgg/gg/content/post_3536685.html

► **Notice regarding matters related to promoting the development of exclusive commercial pension insurance (Jingui [2023] No. 7)**

Synopsis

In June 2021, the former China Banking and Insurance Regulatory Commission initiated a pilot program for exclusive commercial pension insurance in Zhejiang province and Chongqing city, which aimed to address the needs of the general public, especially those in new industries and flexible employment. The pilot was later expanded nationwide in March 2022. Since the pilot program has been progressing well with positive feedback, the exclusive commercial pension insurance shall be implemented on a regular basis.

Exclusive commercial pension insurance refers to individual pension insurance products where funds are locked in for long-term retirement purposes. The insured individuals are eligible to receive pension benefits when they reach the legal retirement age or when they turn 60.

On 20 October 2023, the National Administration of Financial Regulation released Jingui [2023] No. 7 (Circular 7) to set out the criteria for insurance companies to qualify for participation in this area. Circular 7 also addresses the administration of sales for exclusive commercial pension insurance products, among other aspects.

It is worth-noting that unlike private pensions, which are eligible for Individual Income Tax (IIT) deferral policies as prescribed in MOF/STA PN [2022] No. 34 (PN 34)⁵, individuals participating in exclusive commercial pension insurance products are not eligible for IIT deferral. Hence, contributions made to exclusive commercial pension insurance products shall not be deductible for IIT purpose.

Relevant individuals should note the difference in tax treatment between these two types of pension schemes and take it into consideration when making investment decisions.

⁵ According to PN 34, individuals who contribute to eligible private pension products can deduct the contributions from their consolidated income/operating income for IIT purposes, up to RMB 12,000 per year per person. When funds are withdrawn from personal accounts of private pensions, typically during retirement, IIT at a rate of 3% will be triggered.

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

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1133267>

You can click this link to access the full contents of PN 34:

https://www.gov.cn/zhengce/zhengceku/2022-11/05/content_5724790.htm

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

- ▶ **Notice regarding import-level tax policies for supporting the National Comprehensive Fire Rescue Team (Caiguanshui [2023] No. 17)**
http://gss.mof.gov.cn/gzdt/zhengcefabu/202310/t20231025_3913056.htm
- ▶ **PN regarding the key national cultural export enterprises and key projects for 2023-2024 (MOFCOM/Publicity Department of CPC Central Committee/MCT/NRTA PN [2023] No. 37)**
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202310/20231003447472.shtml>
- ▶ **Approval on the plan for establishing a pilot zone for Silk Road e-commerce cooperation in Shanghai (Guohan [2023] No. 115)**
https://www.gov.cn/zhengce/content/202310/content_6911060.htm
- ▶ **Opinions on fully performing procuratorial functions to promote the development of private economy**
https://www.spp.gov.cn/xwfbh/wsfbt/202310/t20231023_631459.shtml
- ▶ **Marine Environmental Protection Law of the People's Republic of China (Chairman Order [2023] No. 12)**
http://www.npc.gov.cn/npc/c2/c30834/202310/t20231024_432550.html
- ▶ **PN regarding the conversion standard and relevant declaration requirements of the measuring unit of imported oil products (GAC PN [2023] No. 144)**
<http://www.customs.gov.cn/customs/302249/2480148/5449619/index.html>



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