



# 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

- ▶ **Notice issued by Hainan Provincial Tax Service, State Taxation Administration (Hainan Tax Services) regarding the submission of "Self-Assessment and Commitment Form for Substantive Production" for enterprises entitled to corporate income tax incentives in Hainan Pilot Free Trade Port (PFTP) (Hainan Tax Services PN [2023] No. 4)**

### Synopsis

According to the Hainan Tax Service/Finance Department of Hainan Province/Hainan Provincial Administration for Market Supervision PN [2022] No. 5 (PN 5), enterprises enjoying preferential Corporate Income Tax (CIT) policies for encouraged industries in Hainan PFTP, and enterprises as employers for or operated by high-end and urgently needed talents who are benefiting from preferential individual income tax (IIT) policies in Hainan PFTP, are required to commit to have substantive operations by submitting the CIT return together with a Substantive Operation Self-Assessment and Commitment Form (hereinafter referred to as the "commitment form") during the annual CIT filing.

To provide further clarity on these matters, the Hainan Tax Service released Hainan Tax Service PN [2023] No. 4 (PN 4) on 15 December 2023 to further elaborate on the relevant matter.

Key features of PN 4 are as follows:

Items	Details
Eligible applicants	<ul style="list-style-type: none"> <li>▶ Enterprises enjoying the preferential CIT policies in Hainan PFTP.</li> <li>▶ Enterprises as employers for or operated by high-end and urgently needed talents who are benefiting from preferential IIT policies in Hainan PFTP.</li> </ul>
How to file	<p><u>For CIT</u></p> <ul style="list-style-type: none"> <li>▶ Eligible enterprises may log in to the E-tax bureau during the annual CIT filing (i.e., 1 January - 31 May of the following year), and fill out the commitment form.</li> <li>▶ Eligible enterprises may submit the commitment form via paper filing during the annual CIT filing.</li> </ul> <p><u>For IIT</u></p> <ul style="list-style-type: none"> <li>▶ Enterprises as employers for or operated by high-end and urgently needed talents who are benefiting from preferential IIT policies in Hainan PFTP may log in to the E-tax bureau during the annual IIT filing (i.e., from 1 January to 31 March for operating income, from 1 March to 30 June for consolidated income), and fill out the commitment form.</li> </ul> <p>However, for enterprises benefiting from the CIT and IIT incentives, they may choose any of the above methods to declare the “commitment form” without duplicate declaration.</p>

PN 4 applies to annual CIT and IIT filings for 2023 and onwards. Relevant enterprises are encouraged to read PN 4 for details and declare the commitment form timely based on full facts. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 4:

[https://hainan.chinatax.gov.cn/sxpd\\_2\\_4/18150117.html](https://hainan.chinatax.gov.cn/sxpd_2_4/18150117.html)

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

<https://dofcom.hainan.gov.cn/dofcom/zwtdt/202209/852505f7db764766b5430f2aac16c388.shtml?ddtab=true>

- ▶ **Notice issued by the Human Resources and Social Security Department of Hainan and Hainan Tax Services regarding the application for 2023 preferential IIT treatments for personnel working in aviation, shipping, and offshore oil and gas exploration industries who have resided in Hainan PFTP for less than 183 days in tax year 2023 (Qiongrenshehan [2023] No. 150)**

## Synopsis

According to Qiongfufu [2022] No. 31 (Circular 31, i.e., Provisional Administrative Measures on the List of High-end and Urgently needed Talents Who are Eligible for IIT Preferential Policies in Hainan PFTP) and Qiongaizhichai [2022] No. 1211 (Circular 1211, i.e., Notice regarding matters related to further implementing the preferential IIT policies for high-end and urgently needed talents in Hainan PFTP), on 1 December 2023, the Human Resources and Social Security Department of Hainan and Hainan Tax Services jointly released Qiongrenshehan [2023] No. 150 (Circular 150) to specify the arrangements for claiming the preferential IIT treatments for high-end and urgently needed talents working in the aviation, shipping, and offshore oil and gas exploration industries who have resided in Hainan PFTP for less than 183 days in tax year 2023 due to job characteristics.

Key points include:

Items	Details
Eligible applicants	Enterprises registered and substantively operating in Hainan PFTP, with main business activities <sup>1</sup> in aviation, shipping, and offshore oil and gas exploration.
Application period and method	Eligible enterprises should collect specific employee information and apply through the E-tax Bureau from 1 January to 29 February 2024 by submitting the specific application form, with guidance provided in the appendix of Circular 150.
Procedures	The Hainan Tax Services will compile and verify income information submitted by enterprises. Lists of eligible individuals who are selected based on income standards set out in the prevailing policies, will be forwarded to the Human Resources and Social Security Department of Hainan Province by the Hainan Tax Services for review and approval. The Hainan Tax Services will then notify approved individuals via SMS or other means.

Enterprises are urged to submit accurate information by 29 February 2024 to ensure the eligible employees can fully enjoy the tax benefits. If in doubt, consultations with professionals are always helpful.

<sup>1</sup> Revenue from aviation, shipping, and offshore oil and gas exploration business activities should account for over 60% of total revenue of the enterprises.

You can click this link to access the full contents of Circular 150:

<https://hrss.hainan.gov.cn/hrss/0503/202312/7e5866d78dc24e83be7fe9ba77a754d5.shtml>

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

[https://hainan.chinatax.gov.cn/ssxc\\_1\\_4/18142323.html?eqid=e5e348970011df2a00000003645c9be2](https://hainan.chinatax.gov.cn/ssxc_1_4/18142323.html?eqid=e5e348970011df2a00000003645c9be2)

You can click this link to access the full contents of Circular 1211:

<https://www.hainan.gov.cn/hainan/rczcwj/202301/46d26c5cd6ee4de5b8bd68ff4487a60f.shtml>

## ► China Advance Pricing Arrangement Annual Report 2022

### Synopsis

On 19 December 2023, the State Taxation Administration (STA) released the China Advance Pricing Arrangement (APA) Annual Report 2022 in both Chinese and English versions (hereinafter referred to as the "2022 APA Report"), which is the 14th edition of the APA annual report published by the STA.

The 2022 APA Report introduces the implementation procedures and practice development of China's APA program, which contains data pertaining to the period from 1 January 2005 to 31 December 2022. According to the 2022 APA Report, as of 31 December 2022, Chinese tax authorities have signed cumulative 144 unilateral APAs and 116 bilateral APAs; in which 19 unilateral and 15 bilateral APAs were signed in 2022. Out of the 15 bilateral APAs, 10, 2 and 3 were signed with Asian, North American and European countries (regions) respectively. Most of the APAs signed in 2022 continue to involve manufacturing industries, which demonstrates the role of international taxation on serving the real economy.

It is worth noting that the 2022 APA Report shall not be regarded as a legal base for enterprises or the Chinese tax authorities to negotiate or conclude an APA. Relevant parties are encouraged to read the 2022 APA Report for more information and consider entering into APAs with the Chinese tax authority to get more tax certainty.

You can click this link to access the full contents of the 2022 APA Report:

<https://www.chinatax.gov.cn/chinatax/n810214/c102374/c102375d/c5218833/content.html>

- ▶ **Administrative measures of Foshan on the implementation of financial subsidy for the preferential IIT policy in the Guangdong-Hong Kong-Macau Greater Bay Area (GBA) (2023 revised version) (Focaifa [2023] No. 6)**
- ▶ **Application guidelines of Foshan on the 2023 financial subsidy for the preferential IIT policy in the GBA**

## Synopsis

According to Caishui [2019] No. 31 (Circular 31, i.e., Notice regarding the preferential IIT policy for the GBA), from 1 January 2019 to 31 December 2023, overseas high-end and urgently needed talents who work in the GBA shall be eligible for a financial subsidy to recover the portion of their IIT paid in the nine mainland GBA cities<sup>2</sup> that exceeds 15% of their taxable income. The financial subsidy (hereinafter referred to as the "IIT subsidy") paid to the individuals shall be exempt from IIT. Caishui [2023] No. 34 (Circular 34, i.e., Notice regarding the extension of the preferential IIT policy for the GBA) extends the preferential IIT policy until 31 December 2027.

In this regard, the competent government authorities in Foshan released Focaifa [2023] No. 6 (Circular 6, i.e., Administrative Measures of Foshan on the implementation of financial subsidy for the preferential IIT policy in the GBA) and the "Application guidelines of Foshan on the 2023 financial subsidy for the preferential IIT policy in the GBA" (hereinafter referred to as the "Foshan Guidelines") on 19 December 2023 and 21 December 2023 respectively, to launch the application for years 2021 and 2022.

Key features are as follows:

- ▶ Applicants who derived consolidated income and operating income in 2021 and 2022 or their withholding agent should access <https://fsfczj.foshan.gov.cn/#/home> to lodge the application and submit the relevant documentations within the period from 25 December 2023 to 20 February 2024. The retroactive application for year 2020 shall be accepted at the same time.
- ▶ The maximum amount of IIT subsidy per taxpayer per tax year shall not exceed RMB5 million.

Notably, similar to the regulations in Shenzhen, Huizhou, Dongguan, Zhaoqing and Zhuhai, applicants are required to have worked in Foshan for more than 90 days for each of the years 2020, 2021, and 2022. Furthermore, if the amount of IIT subsidy exceeds RMB1 million per applicant per tax year, these applicants are also required to submit the form for declaration and registration of IIT preferences (Appendix 2 of the Foshan Guidelines) in addition to the application form for the IIT subsidy (i.e., Appendix 1 of the Foshan Guidelines).

Circular 6 is effective from its promulgation date, i.e., 19 December 2023 until 31 December 2027.

Applicants are encouraged to read Circular 6 and Foshan Guidelines for details and assess if they are qualified for the subsidy before applying. If in doubt, consultations with professionals are always recommended.

<sup>2</sup> 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 Circular 31:  
[https://www.gov.cn/xinwen/2019-03/19/content\\_5374437.htm](https://www.gov.cn/xinwen/2019-03/19/content_5374437.htm)

You can click this link to access the full contents of Circular 34:  
<https://www.chinatax.gov.cn/chinatax/n363/c5211160/content.html>

You can click this link to access the full contents of Circular 6:  
[http://fscz.foshan.gov.cn/gkmlpt/content/5/5861/post\\_5861191.html#266](http://fscz.foshan.gov.cn/gkmlpt/content/5/5861/post_5861191.html#266)

You can click this link to access the full contents of the Foshan Guidelines:  
[http://fscz.foshan.gov.cn/zxx/tzgg/content/post\\_5863775.html](http://fscz.foshan.gov.cn/zxx/tzgg/content/post_5863775.html)



- ▶ **Overall Development Plan for the Guangdong-Macau In-depth Cooperation Zone in Hengqin (Hengqin)**
- ▶ **Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai)**

### Synopsis

On 21 December 2023, the National Development and Reform Commission (NDRC) released the Overall Development Plan for the Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as the “Hengqin Plan”), which covers the customs special supervision area between the “first line” and the “second line” of Hengqin Island. Among them, the “first line” refers to the boundary between Hengqin and Macau Special Administrative Region (hereinafter referred to as “Macau”, while the “second line” refers to the customs areas between Hengqin and the rest of the Chinese mainland. The planning period is until 2035.

The Hengqin Plan consists of 10 chapters. Among these, Chapter 7 (i.e., creating a new highland with a world-class business environment) specifies that strengthening the cultivation and protection of business entities to utilize preferential CIT policies. It emphasizes to better implement the preferential CIT catalog and the encouraged industries catalog in Hengqin and include key industries benefiting from Macau’s diversified economic development into the scope of the policy. Building a unified tax-enterprise liaison platform between Hengqin and Macau for Macau’s business entities to simplify procedures for tax matters and communication.

By 2035, the four new industries (i.e., Technology research & development and high-end manufacturing industries; Chinese medicine and other Macau-branded industries; Cultural tourism, exhibition and trade industries; and Modern finance industries) will strongly support the diversified development of Macau’s industries.

In the meantime, the NDRC also released the Overall Development Plan for the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (hereinafter referred to as the “Qianhai Plan”) on the same day to support the construction of the GBA and further expand Hong Kong’s development space. The planning period is currently up to 2035.

Key features of Qianhai Plan are as follows:

- ▶ Deepening the pilot projects of Qualified Foreign Limited Partners (QFLP) and offshore investment by Qualified Domestic Investment Enterprises (QDIE) in Qianhai to broaden cross-border investment channels for residents.
- ▶ Building an international high-end professional consumer market, such as the pilot convenient payment methods and facilitation measures for tourists’ tax refunds.
- ▶ Strengthening financial and tax policy support. Qualified enterprises in Qianhai are subject to a reduced CIT rate of 15%, and preferential CIT catalog shall be adjusted timely according to the development situation. Additionally, subsidies are given to overseas high-end and urgently needed talents in Qianhai, the part of their IIT burden exceeding 15% will be subsidized, and the subsidies are exempted from IIT. For Hong Kong residents working in Qianhai, the part of their IIT burden exceeding the Hong Kong tax burden shall be exempt.

Relevant parties are encouraged to read the Hengqin and Qianhai Plans for greater details and properly leverage the same into your development plans.

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

[https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202312/t20231221\\_1362835.html](https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202312/t20231221_1362835.html)

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

[https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202312/t20231221\\_1362836.html](https://www.ndrc.gov.cn/xxgk/zcfb/ghwb/202312/t20231221_1362836.html)

## Customs circular

- ▶ **Public notice (PN) regarding the tariff adjustment plan for 2024 (Customs Tariff Commission PN [2023] No. 10)**

### Synopsis

On 20 December 2023, the Customs Tariff Commission of the State Council released Customs Tariff Commission PN [2023] No. 10 (PN 10) regarding the tariff adjustment plan for 2024.

According to PN 10, from 1 January 2024, 1,010 import commodities shall be subject to temporary tariff rates (i.e., rates that are lower than the most favored nation tariff rates applying to these commodities before 1 January 2024). Eight categories of commodities, including wheat, shall still be under the administration of tariff quota. Importation of cotton outside the tariff quota shall still be subject to Sliding Scale Duty. Upon adjustment, tariff items of 2024 Customs Tariff of Import and Export Commodities shall be increased to 8,957.

It is worth noting that the China-Nicaragua Free Trade Agreement will implement the first tariff reduction in 2024. When the final tariff reduction is completed in the future, more than 95% of the tariff items on both sides shall be zero tariffs.

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 10:

[https://gss.mof.gov.cn/gzdt/zhengcefabu/202312/t20231221\\_3923368.htm](https://gss.mof.gov.cn/gzdt/zhengcefabu/202312/t20231221_3923368.htm)

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

- ▶ **Guidelines on preferential tax and fee policies for supporting the development of small and micro-sized enterprises and self-employed industrial and commercial households (Version 2.0)**  
<https://mp.weixin.qq.com/s/VvUPAKCHUWsq4valba5AQ>
- ▶ **PN regarding the suspension of tariff concessions for some chemical imports from Taiwan starting 1 January 2024 (Customs Tariff Commission PN [2023] No. 9)**  
[https://gss.mof.gov.cn/gzdt/zhengcefabu/202312/t20231221\\_3923283.htm](https://gss.mof.gov.cn/gzdt/zhengcefabu/202312/t20231221_3923283.htm)
- ▶ **Regulations on the Administration and Supervision of Non-bank Payment Institutions (State Council Order [2023] No. 768)**  
[https://www.gov.cn/zhengce/content/202312/content\\_6920724.htm](https://www.gov.cn/zhengce/content/202312/content_6920724.htm)
- ▶ **Notice regarding the catalog and format requirements of the application materials for the administrative approval items of non-bank financial institutions (Jingui [2023] No. 14)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1140955>
- ▶ **PN regarding public opinions consultation on the “Administrative Measures for Consumer Finance Companies (Discussion Draft)”**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1141622&itemId=925&generaltype=0>
- ▶ **PN regarding public opinions consultation on the “Data Element ×” Three-Year Action Plan (2024-2026) (Discussion Draft)**  
[https://www.ndrc.gov.cn/hdjl/yjqz/202312/t20231215\\_1362671.html](https://www.ndrc.gov.cn/hdjl/yjqz/202312/t20231215_1362671.html)
- ▶ **Guiding opinions on accelerating the high-quality development of the modern shipping service industry (Jiaoshuifa [2023] No. 173)**  
[https://xxgk.mot.gov.cn/2020/jigou/syj/202312/t20231213\\_3967572.html](https://xxgk.mot.gov.cn/2020/jigou/syj/202312/t20231213_3967572.html)
- ▶ **PN regarding the “Catalog of Technologies Prohibited or Restricted from Export” (MOFCOM/MOST PN [2023] No. 57)**  
<http://www.mofcom.gov.cn/article/zcfb/zcblgg/202312/20231203462079.shtml>
- ▶ **Decisions on the amendments to the “Implementation Rules on the Patent Law of the People’s Republic of China” (State Council Order [2023] No. 769)**  
[https://www.gov.cn/zhengce/content/202312/content\\_6921633.htm](https://www.gov.cn/zhengce/content/202312/content_6921633.htm)
- ▶ **PN regarding optimizing the categorized supervision of goods in comprehensive bonded zones (GAC PN [2023] No. 185)**  
<http://www.customs.gov.cn/customs/302249/2480148/5583985/index.html>

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ED None.

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