

# TAX LAW

## 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 circular

- ▶ Public notice (PN) regarding the revised "Administrative Measures for Value-added Tax (VAT) Refund related to the Purchase of Domestic-manufacturing Equipment by Research and Development (R&D) Institutions" (STA PN [2023] No. 20)

#### Synopsis

According to MOF/GAC/STA PN [2023] No. 41 ("PN 41", i.e., PN regarding the VAT refund policies related to the purchase of equipment by R&D Institutions), full VAT refunds would continue to apply on purchases of domestically produced equipment by domestic R&D institutions and foreign-invested R&D centers by 31 December 2027.

In this respect, the State Taxation Administration (STA) released the revised "Administrative Measures for VAT Refund related to the Purchase of Domestic-manufacturing Equipment by R&D Institutions" (hereinafter referred to as the "2023 Administrative Measures") on 26 December 2023 via STA PN [2023] No. 20.

The 2023 Administrative Measures only made minor changes to the previous 2021 version of the Administrative Measures. According to the 2023 Administrative Measures, for the tax refund application, special VAT invoices for the domestically produced equipment are now a required document. Normal VAT invoices are no longer acceptable.

In addition, the 2023 Administrative Measures further clarified the documents required for R&D institutions to go through the formalities for tax refund record-filing for purchasing domestically produced equipment for the first time. These documents include credentials proving the qualifications of the R&D institution and the Export Tax Refund (Exemption) Record-filing Form. The 2023 Administrative Measures removed the catch-all clause as prescribed in the 2021 Administrative Measures that referred to “other documents required by the competent tax authorities”.

The 2023 Administrative Measures became effective on 1 January 2024, the application to the 2023 Administrative Measures should be referred to the issuance date of the VAT invoices.

You can click this link to access the full contents of the 2023 Administrative Measures:  
<https://fgk.chinatax.gov.cn/zcfgk/c100012/c5220670/content.html>

You can click this link to access the full contents of PN 41:  
[http://szs.mof.gov.cn/zhengcefabu/202309/t20230904\\_3905372.htm](http://szs.mof.gov.cn/zhengcefabu/202309/t20230904_3905372.htm)

You can click this link to access the full contents of the 2021 Administrative Measures:  
<https://fgk.chinatax.gov.cn/zcfgk/c100012/c5192934/content.html>

## Business circular

- Notice regarding further facilitating real estate registration and optimizing business environment (Ziranzifa [2024] No. 9)

### Synopsis

To further facilitate real estate registration, optimize business environment and promote high-quality development, on 21 December 2023, the State-owned Assets Supervision and Administration Commission of the State Council, National Financial Regulatory Administration, Ministry of Natural Resources and STA jointly released Ziranzifa [2024] No. 9 (Circular 9).

Circular 9 offers 21 measures from eight aspects to further enhance the facilitation of real estate registration to promote the optimization of the business environment. Among these, it is worth noting that Circular 9 proposes to improve real estate registration services for enterprises on their restructuring and reorganization that involves ownership transfer of real estates. For that, in line with the policies of Deed Tax, Stamp Duty and Land Appreciation Tax reduction, exemption or temporary exemption for this kind of activities, the real estate registration departments are ordered to process the registrations promptly once tax matters are cleared.

Additionally, Circular 9 also proposes to strengthen the efficient coordination of registration, taxation and finance departments, such as implementing “integration of real estate registration, transactions and tax payments” of “Regulations on Optimizing the Business Environment”, optimizing the online tax payment and accelerating the application of fully digitalized e-invoicing.

Relevant parties are suggested to read Circular 9 to leverage the facilitation offered.

You can click this link to access the full contents of Circular 9:  
<https://www.echinagov.com/policy/352730.htm>

- Measures of the Customs of the People's Republic of China (PRC) for the Collection and Administration of Taxes on Domestic Sales of Value-added Goods Processed in Guangdong-Macau In-depth Cooperation Zone in Hengqin (Hengqin) (GAC PN [2024] No. 10)

### Synopsis

According to Overall Plan for Building Guangdong-Macau In-depth Cooperation Zone in Hengqin (hereinafter referred to as the "Overall Plan"), the General Administration of Customs (GAC) released GAC PN [2024] No. 10 (Circular 10) on 24 January 2024 to set out the measures for the collection and administration of taxes on domestically sold goods processed in Hengqin.

According to Circular 10, goods processed in Hengqin by Hengqin enterprises with imported components that are to be sold domestically through Hengqin would be exempt from import duties if the total value added from the processing in Hengqin reaches 30% or more. Import-level VAT and CT would be collected based on actual inspection status.

For goods sold domestically through Hengqin with a total value added reaching 30% or more from deep processing in Hengqin, the above duties and taxes treatments shall apply as well.

Eligible enterprises should be independent legal entities registered in Hengqin. The formula for calculating value added from processing is as follows:

$$[(\text{Price of goods sold domestically from Hengqin} - \sum \text{Price of imported components} - \sum \text{Price of domestic components purchased outside of Hengqin}) / (\sum \text{Price of imported components} + \sum \text{Price of domestic components purchased outside Hengqin})] \times 100\%$$

However, certain goods such as those involving import quotas, trade remedies, retaliatory tariffs, or those with only minor processing like repackaging are ineligible for import duties exemption even if meeting the 30% value-added threshold.

PN 10 would take effect on the date the Hengqin zone is officially closed for operation. Relevant parties are encouraged to read PN 10 for greater details and properly leverage the same into your development plans.

You can click this link to access the full contents of PN 10:

<http://www.customs.gov.cn/customs/302249/302266/302267/5648659/index.html>

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

[https://www.gov.cn/zhengce/2021-09/05/content\\_5635547.htm](https://www.gov.cn/zhengce/2021-09/05/content_5635547.htm)

- Procedural Regulations of the Customs of the PRC on the Hearing of Administrative Reconsideration Cases (GAC Order [2024] No. 265)

### Synopsis

To standardize the administrative reconsideration of the Customs, supervise and ensure the exercise of duties and powers of the customs in accordance with the laws, the GAC issued GAC Order [2024] No. 265 on 22 January 2024 to announce the Procedural Regulations of the Customs of the PRC on the Hearing of Administrative Reconsideration Cases (hereinafter referred to as the "Procedural Regulations").

The Procedural Regulations consist of 38 articles in six sections, i.e., general provisions, application for administrative reconsideration, acceptance of administrative reconsideration, hearing of administrative reconsideration cases, administrative reconsideration decisions and supplementary provisions.

The Procedural Regulations elaborate that citizens, legal persons or other organizations have the right to challenge the legality of the regulatory documents supporting the customs' administrative actions and apply for administrative reconsideration. The application generally should be submitted within 60 days from the date they became aware of or should have become aware of such actions. However, the application period shall not exceed one year from the date the citizen, legal persons or other organizations became aware or should have become aware of the content of the administrative action. If the applicant is unable to meet the legal deadline due to circumstances beyond their control or have valid reasons, the application period will be extended from the date the obstacles are resolved.

The administrative reconsideration authorities of the Customs shall review the application within five days from the date of receipt. Once the case is accepted, the Customs shall make an administrative reconsideration decision within 60 days, or 30 days from the date of acceptance of the application under the normal or summary procedures. The hearing period may be extended by no more than 30 days under specific circumstances.

The Procedural Regulations will become effective from 1 March 2024, and the Measures of the Customs of the PRC for Administrative Reconsideration (2014 Amendment) (hereinafter referred to as the "2014 Measures") shall be repealed at the same time.

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

<http://www.customs.gov.cn/customs/302249/302266/302267/5648695/index.html>

You can click this link to access the full contents of the 2014 Measures:

<http://www.mofcom.gov.cn/article/bh/201406/20140600640432.shtml>

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

- ▶ List of issuers of the 2024 import & export permit (MOFCOM PN [2024] No. 2)  
<http://xkzj.mofcom.gov.cn/article/h/fzjg/202401/20240103467624.shtml>
- ▶ Implementation Plan for the Pilot Comprehensive Reform of Pudong New Area of Shanghai (2023-2027)  
[https://www.gov.cn/zhengce/202401/content\\_6927503.htm](https://www.gov.cn/zhengce/202401/content_6927503.htm)
- ▶ PN regarding the suspension of the collection of waste electrical and electronic product disposal funds (MOF/MOE/NDRC/MIIT PN [2023] No. 74)  
[https://szs.mof.gov.cn/zt/mlqd\\_8464/zcgd/202401/t20240118\\_3926323.htm](https://szs.mof.gov.cn/zt/mlqd_8464/zcgd/202401/t20240118_3926323.htm)
- ▶ Notice regarding public opinions consultation on the "PN Regarding Further Supporting Foreign Institutional Investors to Conduct Bond Repurchase Business in the Interbank Bond Market (Discussion Draft)"  
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5217355/index.html>
- ▶ Decisions on abolishing certain regulations (GAC Order [2024] No. 264)  
<http://www.customs.gov.cn/customs/302249/2480148/5646322/index.html>

## 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

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### 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

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.co

Karina Wong

Business Tax Services

+852 2849 9175

Karina.Wong@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

Raymond Zhu (China Central)

+86 21 2228 2860

Raymond.Zhu@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

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Author – China Tax Center

Jane Hui

+852 2629 3836

Jane.Hui@hk.ey.com

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