

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.

*If you wish to access the previous issues of CTIE and *China Tax & Investment News*, please contact us.

Tax circulars

- ▶ Public notice (PN) regarding implementation matters related to the tax policies for supporting the entrepreneurship and employment of focus groups and veterans (STA/MOHRSS/MOA/MOE/MVA PN [2024] No. 4)

Synopsis

To facilitate the implementation of MOF/STA/MOHRSS/MOA PN [2023] No. 15 (PN 15) and MOF/STA/MVA PN [2023] No. 14 (PN 14) regarding the tax policies for further supporting and promoting the entrepreneurship and employment of focus groups and veterans, the State Taxation Administration (STA), Ministry of Human Resources and Social Security (MOHRSS), Ministry of Agriculture and Rural Affairs (MOA), Ministry of Education (MOE), and Ministry of Veterans Affairs (MVA) jointly issued STA/MOHRSS/MOA/MOE/MVA PN [2024] No. 4 (PN 4) on 29 March 2024. The issuance of PN 4 aims to further clarify certain operational criteria, refines administrative procedures, and enhances policy accessibility for taxpayers.

Key features of PN 4 include:

- Application requirements and tax deduction limits for self-employed industrial and commercial households and enterprises hiring focus groups of individuals
- Filing rules for veterans who voluntarily pursue self-employment after retirement to enjoy the relevant policies
- Policy application for individuals with multiple identities, enterprises hiring various groups of applicable individuals, and retroactive applications
- Optimized identity verification channels and promotion of electronic information applications
- Transitional arrangements for deducted taxes exceeding new limits

It is worth noting that the taxable basis for City Construction Tax (CCT), Education Surcharge (ES), and Local Education Surcharge (LES) should be the Value-added Tax (VAT) payable before the application of the relevant preferential policies. The reduction of VAT due to application of these policies should not affect the tax base calculation for CCT, ES and LES.

The preferential policies as prescribe in PN 14 and PN 15 shall be valid until 31 December 2027. We noted that some enterprises have already gained bonus from such policies. Enterprises, especially those labor-intensive ones, are encouraged to review their current hiring status and consider whether they can benefit from such policies.

You can click this link to access the full contents of PN 4 and its official interpretations:

<https://fgk.chinatax.gov.cn/zcfgk/c100012/c5222349/content.html>

<https://fgk.chinatax.gov.cn/zcfgk/c100015/c5222352/content.html>

You can click this link to access the full contents of PN 15:

http://szs.mof.gov.cn/zhengcefabu/202308/t20230802_3899899.htm

You can click this link to access the full contents of PN 14:

http://szs.mof.gov.cn/zhengcefabu/202308/t20230802_3899906.htm

- Opinions on the 2024 Action Plan for Simplifying Tax Procedures for Taxpayers (Shuizongnafufa [2024] No. 19)

Synopsis

To improve the efficiency of tax administration, continue to build a market-oriented, law-based and internationalized business environment, and to improve the quality of tax services, on 28 March 2024, the STA released “Opinions on the 2024 Action Plan for Simplifying Tax Procedures for Taxpayers” via Shuizongnafufa [2024] No. 19 (Circular 19).

Circular 19 covers 11 actions to simplify tax procedures in four aspects, i.e., further consolidate the supply base of tax and fee services, further enhance the response to tax and fee services, further strengthen the digital empowerment of tax and fee services, and further promote the innovation of tax and fee services. Specific measures include:

- Optimize tax and fee payment functions

Optimize the web-based withholding function of the electronic tax bureau for natural persons and add a “to-do” module providing reminders and guidelines. Provide “24-hour” services to taxpayers.

- Optimize tax credit evaluation

Boost the credit rating of newly-established business entities. Optimize the collaboration mechanism of “Bank-and-Tax Interaction” to improve the financing convenience of credit-abiding small and micro-sized enterprises and self-employed industrial and commercial households.

- Optimize the administration of tax professional services

Construct identification indicators for tax agents and improve the basic information of tax professional service institutions and their practitioners.

- Improve mechanisms for responding to requests

Optimize the accurate and timely delivery of preferential tax policies to help taxpayers and contributors solve problems in their declarations.

- Enhance the effectiveness of solving problems

Include taxpayers applying for simplified declaration in the scope of priority tax refund for annual Individual Income Tax reconciliation for consolidated income. Promote the construction of a cross-region coordination mechanism for tax matters of large enterprises.

- Promote data exchange

Promote the optimization of tax payment process and the simplification of documents, such as optimizing the “one-stop” declaration function of pre-tax deduction of personal pensions, and pre-filling the tax source information collection forms of Real Estate Tax and Urban Land Use Tax automatically in the tax system.

- Enhance the use of digital technology

Further reduce tax materials, accelerate the reform of electronic invoicing for railroads and civil aviation. Further expand the scope of the joint pilot project on the integrated electronic invoicing and electronic reimbursement, booking and filing.

- Promote “cross-region operation”

Satisfy the demand of taxpayers for cross-region processing in specific matters, groups and circumstances. Promote the online handling of off-site business of cross-region tax matters reporting.

- Promote “cross-border operation”

Launch the intelligent pre-filled integrated processing for outbound payment business. For different types of non-resident income, taxpayers are able to achieve intelligent tax calculation and one-click declaration of multiple tax types by clicking on the selection. Optimize the processing of cross-border tax payment and refund.

- Promoting “batch operation”

Optimize the tax agency function of tax-related professional service institutions and their practitioners in the electronic tax bureau, and enable the batch declaration of tax professional service institutions.

- Promote “one-window operation”

Optimize the “one-window operation” to simplify procedures for real estate registration and tax handling.

Taxpayers are encouraged to read Circular 19 for detailed information and observe the respective local implementation so as to enjoy the simplified tax procedures when happen.

You can click this link to access the full contents of Circular 19:

<https://fgk.chinatax.gov.cn/zcfgk/c102424/c5222186/content.html>

- ▶ Implementation measures for talent rewards and subsidies in Guangdong-Macau In-depth Cooperation Zone in Hengqin (Hengqin Zone) (Yueaoshenhejingfatong [2024] No. 4)
- ▶ Implementation measures for supporting innovation and entrepreneurship teams in Hengqin Zone (Yueaoshenhejingfatong [2024] No. 5)
- ▶ Measures for the recognition of high-end talent in Hengqin Zone (Yueaoshenhejingfatong [2024] No. 6)

Synopsis

In order to implement measures for supporting talent in Hengqin Zone, further clarify conditions of financial support for employers and talent, and attract more outstanding talent to come to Hengqin Zone, the Economic Development Bureau of Hengqin Zone released Yueaoshenhejingfatong [2024] No. 4 (Circular 4), No. 5 (Circular 5) and No. 6 (Circular 6) on 21 March 2024.

Eligible applicants

Both Circular 4 and Circular 5 are applicable to enterprises or institutions operating substantively in Hengqin Zone and personnel actually working for the above employers.

Fund subsidies

Circular 4 provides living allowances of up to RMB8 million for different high-end talent, an annual subsidy of up to RMB2 million for employers introducing talent, and an annual subsidy of up to RMB3 million for employers cooperating with Macau to introduce talent.

Circular 5 will grant subsidies of up to RMB10 million to different high-end talent innovation teams, subsidies of up to RMB1 million for each overseas students who starts a business in Hengqin Zone, and rewards of up to RMB1 million for employers in Hengqin Zone who introduce recognized overseas high-end talent innovation teams.

Recognition of high-end talent

Circular 6 specifies recognition conditions, procedures, classification standards and management of high-end talent.

The abovementioned circulars are effective from 1 April 2024 to 31 December 2025.

Relevant parties are advised to read the abovementioned circulars for details and act accordingly and promptly. If in doubt, consultations with professionals are always recommended.

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

https://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/gfxwj/content/post_3648456.html

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

https://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/gfxwj/content/post_3648457.html

You can click this link to access the full contents of Circular 6:

https://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/gfxwj/content/post_3648460.html

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

- ▶ Implementation measures of National Financial Regulatory Administration on the discretion of administrative penalties (NFRA Order [2024] No. 5)
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1156629>
- ▶ Action plan on strengthening the building of financing credit service platforms to facilitate the financing of micro, small and medium-sized enterprises (Guobanfa [2024] No. 15)
https://www.gov.cn/zhengce/content/202404/content_6943103.htm
- ▶ Rules on fair competition review in the fields of tendering and bidding process (NDRC/MIIT/MOHURD/MOT/MWR/MOA/MOFCOM/SAMR Order [2024] No. 16)
<https://zfxgk.ndrc.gov.cn/web/iteminfo.jsp?id=20360>

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

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

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

Author – China Tax Center

Jane Hui

+852 2629 3836

Jane.Hui@hk.ey.com

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