



# TAX LAW

# China Tax Center

# China Tax &

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# 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 regarding expanding the applicable scope of the preferential Corporate Income Tax (CIT) policies in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai Zone) (Caishui [2024] No. 13)
- ▶ Notice regarding the preferential Individual Income Tax (IIT) policies in Qianhai Zone (Caishui [2024] No. 12)

## Synopsis

To strengthen the fiscal and tax policy support for the Qianhai Zone, recently, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly issued Caishui [2024] No. 13 (Circular 13) and Caishui [2024] No. 12 (Circular 12) providing more preferential CIT and IIT policies.

Key features of the preferential CIT and IIT policies are as follows:

Preferential tax policies	New policies	Effective date
Preferential CIT policies	Eligible enterprises <sup>1</sup> located within the entire Qianhai Zone (covering a total area of 120.56 square kilometers) instead of the previous Sanwan area of the Qianhai Zone (covering a total area of 14.92 square kilometers), can enjoy a reduced 15% CIT rate.	From 1 January 2023 to 31 December 2025
Preferential IIT policies	For Hong Kong residents working in the entire Qianhai Zone, the portion of their IIT burden derived from eligible income (i.e., the consolidated income <sup>2</sup> , operating income, and recognized talent subsidy income) from the Qianhai Zone exceeding the Hong Kong tax burden will be exempted <sup>3</sup> . This preferential treatment shall be claimed during the annual IIT filing in the Qianhai Zone.	From 1 January 2023 to 31 December 2027

Relevant taxpayers are advised to read Circulars 12 and 13 for details and enjoy the respective preferential tax policies offered. If in doubt, consultations with professionals are recommended.

<sup>1</sup> The eligible enterprises should meet both of the following criteria:

- Engaging in encouraged industries as prescribed in the preferential CIT catalogues in the Qianhai Zone, i.e., Attachment of Caishui [2021] No. 30 (Circular 30).
- Their core businesses derived from the encouraged industries account for more than 60% of their total income.

However, even both the above-mentioned criteria are met, the reduced CIT rate of 15% only applies to:

- Income allocated to the head office and its branch(es) located in the Qianhai Zone.
- Income allocated to the branch(es) located in the Qianhai Zone if the head office is outside.

The allocation of income between the head office and its branches with cross-region operations shall be referred to the prevailing CIT policies.

<sup>2</sup> The consolidated income refers to salaries and wages, remuneration for personal services, authors' remuneration and royalties.

<sup>3</sup> Hong Kong residents working in the Qianhai Zone who qualify for both the Qianhai IIT exemption and Guangdong-Hong Kong-Macao Greater Bay Area IIT subsidy for overseas high-end and urgently-needed talent in the same tax year can choose to enjoy either one of the two preferences, but not both concurrently.

You can click this link to access the full contents of Circular 13:

<http://szfb.sz.gov.cn/attachment/1/1438/1438859/11249574.pdf>

You can click this link to access the full contents of Circular 12:

<http://szfb.sz.gov.cn/attachment/1/1438/1438860/11249567.pdf>

You can click this link to access the full contents of Circular 30:

<https://shenzhen.chinatax.gov.cn/sztax/zcwj/zxwj/202107/f3b8d885725647328f9b6cd83628e93e.shtml>

- Work plan of the Shanghai Municipal Tax Service, STA on the 2024 random tax inspections

#### Synopsis

To implement the relevant guidelines from the State Council and STA on promoting random tax inspections with public disclosure of results, the Shanghai Municipal Tax Service, STA released its work plan on the 2024 random tax inspections (hereinafter referred to as the "SH Work Plan") on 18 March 2024, with key points as follows:

Items	Details
Inspection targets	Taxpayers noted as "key" or "abnormal" in the Shanghai "Double Randomization" platform database.
How to select inspection targets	A combination of targeted and random selection methods has been adopted.
Responsible tax authority for the inspection	Tax inspection bureaus under the Shanghai Municipal Tax Service, STA
Scope of inspection	Inspect taxpayers, withholding agents, and other tax related parties in accordance with the law for their fulfillment of tax obligations, withholding obligations, and compliance with other tax laws.

In addition to Shanghai, many other local tax authorities, such as Tianjin and Shijiazhuang Municipal Tax Services, STA have also issued similar notices for 2024. Taxpayers should pay special attention to further information from the local tax authorities and seek professional help if needed; while at the same time, taxpayers should prepare themselves for random checks like this, regular self-health-check may be helpful.

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

<https://shanghai.chinatax.gov.cn/xxgk/tzgg/202404/t471496.html>

#### Business circular

- Measures of Hainan for supporting enterprises to set up research and development (R&D) institutions and increase R&D investment (Qiongke [2024] No. 44)

#### Synopsis

To promote innovation-driven and high-quality development, emphasize the major role of enterprise innovation, and further stimulate the vitality and motivation of enterprise innovation, the Department of Science and Technology, the Development and Reform Commission, the Department of Industry and Information Technology, the Department of Commerce and the State-owned Assets Management Commission in Hainan jointly released Qiongke [2024] No. 44 (Circular 44) on 17 April 2024 to launch measures of Hainan for supporting enterprises to set up R&D institutions and increase R&D investment.

Key features of Circular 44 are as follows:

- Support enterprises to build basic research and innovation platforms: For the newly approved national key laboratories and key laboratories of the central ministries and commissions, scientific research subsidies of up to RMB5 million and RMB3 million shall be granted respectively.
- Support enterprises to build common technical service platforms: For newly constructed and expanded scientific research software and hardware with investment of more than RMB3 million, a provincial financial support according to 30% of the investment will be granted with a cap at RMB5 million.

- Support enterprises to build platforms for the transformation of scientific and technological achievements: For newly constructed and expanded scientific research software and hardware with investment of more than RMB3 million, a provincial financial support in relation to 30% of the investment will be granted with a cap at RMB5 million.
- Intensely introduce foreign enterprises to set up R&D institutions: Implement the national tax policy to support scientific and technological innovation, and support foreign R&D institutions to enjoy the CIT super deduction of qualified R&D expenditures.

Circular 44 became effective from 18 April 2024. It shall be valid for three years.

Relevant enterprises intending to set up R&D institutions and increase R&D investment are suggested to read Circular 44 for details and fully leverage the financial subsidies and tax benefits offered. If in doubt, consultations with professionals are recommended.

You can click this link to access the full contents of Circular 44:

[https://dost.hainan.gov.cn/xxgk/xxgkzl/xxgkml/202404/t20240418\\_3648661.html](https://dost.hainan.gov.cn/xxgk/xxgkzl/xxgkml/202404/t20240418_3648661.html)

## Customs circular

- ▶ Notice regarding measures for further facilitating authorized economic operators (AEO) to promote high-quality and steady development of foreign trade (Shujifa [2024] No. 36)

### Synopsis

To enhance the function of customs credit management and promote high-quality and steady development of foreign trade, the General Administration of Customs released Shujifa [2024] No. 36 (Circular 36) on 6 April 2024, which added 17 measures for AEO from four areas on the basis of original management measures, key points are as follows:

- Reduce the frequency of inspection and quarantine supervision, such as reducing the proportion of export biological materials inspection, simplifying the record-filing registration process of export aquatic products enterprises, and shortening the registration time.
- Reduce the import and export costs of enterprises and commence pilot projects of tax exemption guarantees for AEO. For productive enterprises recognized as AEO for more than five years, eligible enterprises may apply to the customs for exemption from tax guarantee.
- Improve the intelligent level of measures and expand the scope of automatic AEO data exchange.
- Improve services for enterprises, including the priority for providing customs external network application services and supporting the high-quality development of cross-border e-commerce.

You can click this link to access the full contents of Circular 36:

<http://gdfs.customs.gov.cn/customs/302249/zfxxgk/zfxxgkml34/5818932/index.html>

## 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 (60th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Reduction and Exemption (4th Batch)" (MIIT PN [2024] No. 5)  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2024/art\\_5e5407eaa8a74ec89101e7501cdbf77f.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2024/art_5e5407eaa8a74ec89101e7501cdbf77f.html)
- ▶ Opinions on strict implementation of delisting regulation  
[https://www.gov.cn/zhengce/zhengceku/202404/content\\_6945065.htm](https://www.gov.cn/zhengce/zhengceku/202404/content_6945065.htm)

- ▶ Guidelines for Foreign Exchange Business under the Capital Account (2024 Version) (Huifa [2024] No. 12)  
<http://m.safe.gov.cn/safe/2024/0412/24226.html>
- ▶ Action Plan on Promoting Trade-ins of Consumer Goods (Shangxiaofeifa [2024] No. 58)  
[https://www.gov.cn/zhengce/zhengceku/202404/content\\_6945069.htm](https://www.gov.cn/zhengce/zhengceku/202404/content_6945069.htm)
- ▶ Notice regarding public opinions consultation on the “Decision on the modification of the ‘List of Items subject to Random Inspections by the China Securities Regulatory Commission’”  
<http://www.csrc.gov.cn/csrc/c101981/c7473646/content.shtml>
- ▶ Notice regarding further facilitating the registration of private equity fund managers (Zhongjixiezi [2024] No. 119)  
[https://wwwamac.org.cn/xwfb/tzgg/202404/t20240416\\_25425.html](https://wwwamac.org.cn/xwfb/tzgg/202404/t20240416_25425.html)
- ▶ Notice regarding further optimizing services in commercial sector to facilitate payments  
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5331929/index.html>
- ▶ Public notice (PN) regarding adjusting the administrative measures on imported sugar under the processing trade in special customs supervision zones and other out-zone areas (GAC/NDRC/MOF/MOA/MOFCOM/STA PN [2024] No. 44)  
<http://www.customs.gov.cn/customs/302249/2480148/5825815/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

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### 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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