

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

- ▶ **Operational guidelines on the preferential Corporate Income Tax (CIT) policies in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai Zone)**
- ▶ **Operational guidelines on the preferential CIT policies in the Shenzhen Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone (Shenzhen Park)**

Synopsis

Enterprises operating within the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and specific designated areas of the Shenzhen Park, notably the Futian Bonded Zone, are eligible for a reduced Corporate Income Tax rate of 15%.

The local tax authorities have issued detailed operational guidelines (referred to as the "Qianhai Operational Guidelines" and the "Shenzhen Park Operational Guidelines") to clarify the eligibility criteria and the procedure for enterprises to avail themselves of the CIT incentives.

Key points:

- ▶ **Eligibility criteria:** Enterprises must meet specific conditions set forth in the guidelines to qualify for the tax incentives. These conditions primarily focus on the nature of the business and its operations within the designated zones
- ▶ **Filing procedure:** Eligible enterprises are required to perform self-assessments to understand their qualification for the tax incentives and must declare these benefits in their provisional CIT filings or during the annual CIT reconciliation process
- ▶ **Documentation:** The guidelines specify that enterprises need to retain certain documents for post-filing inspections. These documents include contracts related to the primary business revenues and evidence supporting substantial operations within the cooperation zones
- ▶ **Support for businesses:** In cases where enterprises face difficulties in determining if their primary operations qualify as encouraged industrial projects under the stipulated guidelines, they can seek assistance from the in-charge local tax authorities

These measures are part of broader efforts to stimulate economic development in these strategic zones by leveraging fiscal policies to attract and support high-value industries. Businesses operate or consider operating in these areas are encouraged to review the detailed guidelines and ensure compliance to maximize the benefits available under these tax incentives.

For further details, enterprises are advised to consult the full texts of the Qianhai and Shenzhen Park Operational Guidelines available through the local tax authority websites or seek professional advice to navigate the application process effectively.

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

<https://shenzhen.chinatax.gov.cn/qhswj/tzgg/202405/89dc39cf882f4008a8d51b839f36964a.shtml>

You can click this link to access the full contents of the Shenzhen Park Operational Guidelines:

<https://shenzhen.chinatax.gov.cn/ftqswj/tzgg/202405/f1c0af1626e84e49b4884e3fe60b70d6.shtml>

▶ **Implementation measures for preferential Individual Income Tax (IIT) policies in the Qianhai Zone**

Synopsis

In March 2024, the Ministry of Finance and the State Taxation Administration jointly issued Circular Caishui [2024] No. 12 (Circular 12), effective from 1 January 2023, to 31 December 2027. This Circular provides that Hong Kong residents working in the Qianhai Cooperation Zone will be exempt from the portion of Individual Income Tax (IIT) that exceeds the tax liability they would face in Hong Kong.

Recently, the Shenzhen Finance Bureau and the Shenzhen Municipal Tax Service, State Taxation Administration, released Circular Shencaigui [2024] No. 3 (Circular 3), specifying the detailed implementation measures for the IIT incentives in the Qianhai Zone.

Eligibility for IIT incentives:

Hong Kong residents must meet several criteria to be eligible for the incentives:

- ▶ They must be residents of Hong Kong

- ▶ They must be employed by, or operate a business registered in, the Qianhai Zone that performs substantial operations, provide independent personal services, or engage in production and business activities within the zone, and pay IIT according to the law
- ▶ They must adhere to all relevant laws and regulations and have no major tax violations or breaches of trust within the last three years

Qualified income:

- ▶ Salaries and wages
- ▶ Remuneration for personal services
- ▶ Authors' remuneration and royalties
- ▶ Business operation income from the Qianhai Zone
- ▶ Talent subsidies provided by the local government

Tax refund application:

Hong Kong residents who are entitled to these tax benefits can apply for a tax refund during the annual IIT settlement and filing period.

Implementation period:

Circular 3 came into effect on 27 May 2024, and will remain in effect for one year. For the period from 1 January 2023, to the enactment of Circular 3, if the relevant conditions set out in Circular 3 are met, its provisions will apply.

Taxpayers are encouraged to review Circular 3 to fully utilize the available benefits. Professional consultation is recommended for any uncertainties.

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

https://qh.sz.gov.cn/tzqh/rcdt/rczc/content/post_11298029.html

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

<https://qh.sz.gov.cn/attachment/1/1439/1439020/11250478.pdf>

- ▶ **Filing guide for preferential IIT policies in Qianhai Zone for the Year 2023**
- ▶ **Filing guide for preferential IIT policies in Shenzhen Park for Year 2023**

Synopsis

From 1 January 2023, to 31 December 2027, Hong Kong residents employed in the Shenzhen Park and Qianhai Cooperation Zone are eligible for an exemption from the portion of their IIT that exceeds what they would be charged in Hong Kong. This preferential treatment is applicable during the annual IIT filing period.

Recently, the tax authorities for both Shenzhen Park and the Qianhai Cooperation Zone have released respective guides (Shenzhen Park Guide and the Qianhai Guide). These guides provide detailed instructions for eligible taxpayers on how to apply for and file the IIT benefits in the annual filing for the Year 2023.

Eligible residents may either handle the filings themselves or authorize their employers, tax professionals, or other authorized representatives to file on behalf of them. The deadline for the annual filing is 30 June 2024.

Taxpayers are encouraged to read the guides carefully and adhere to the stipulated procedures. Professional advice is advisable for any uncertainties.

You can click this link to access the full contents of the “Shenzhen Park Guide”:

<https://shenzhen.chinatax.gov.cn/ftqswj/tzgg/202405/c4ff086ae4804989895846d9dde4a203.shtml>

You can click this link to access the full contents of the “Qianhai Guide”:

<https://shenzhen.chinatax.gov.cn/baqswj/tzgg/202405/5d9d4d5757e24c39b544a69f349c7678.shtml>

Business circulars

► Key tasks for business cost reduction in 2024

Synopsis

To support the high-quality development of the real economy, the General Office of the National Development and Reform Commission and other relevant departments have issued Circular [2024] No. 428 (referred to as “Circular 428”).

According to Circular 428, China will implement 22 measures across seven categories to reduce costs, including optimizing tax and fee incentives. These measures specifically include enhancing the super deduction for research and development (R&D) expenses, tax relief for the transformation of scientific and technological achievements, and appropriately reducing import tariffs on advanced technological equipment and resources.

In terms of reducing institutional transaction costs, China will continue to decrease the negative list for foreign investment access and expand the catalog of encouraged industries for foreign investment. Additionally, there will be strengthened financial support for technological upgrades in manufacturing enterprises, implementation of related tax incentives for technology investments, and promotion of traditional enterprises transitioning towards high-end, intelligent, and green development.

Circular 428 also mentions measures to enhance financial services and reduce logistics costs. We will continue to monitor these developments and provide you with timely updates. Please stay tuned.

You can click this link to access the full contents of the Circular 428:

<https://zfxgk.ndrc.gov.cn/web/iteminfo.jsp?id=20388>

► Implementation measures of Shenzhen for further attracting and facilitating the use of foreign capital

Synopsis

The Shenzhen Municipal People's Government recently issued Circular Shenfugui [2024] No. 6 (“Circular 6”), outlining 20 initiatives to further enhance the attraction and utilization of foreign capital.

Key points of Circular 6 include:

High-level opening up:

Initiatives include expanding pilot trials in sectors such as genetic diagnosis and treatment technologies for eligible foreign investment enterprises:

- Support the deepening of market openness in industries like commercial pension insurance and health insurance

- ▶ Back qualified foreign professional insurance institutions in establishing or investing in local entities
- ▶ Efforts will be put to explore private equity and venture capital share transfer pilots in the Qianhai area
- ▶ Expand the opening of basic telecommunications services
- ▶ Encourage Hong Kong and Macau law firms to set up their operations in Qianhai, promoting greater legal cooperation

Cash rewards:

Significant financial subsidies are available for manufacturing enterprises and high-tech services, with substantial rewards for establishing regional headquarters:

- ▶ Manufacturing Enterprises: Offers up to RMB50 million in annual rewards, with a cap at RMB150 million
- ▶ High-Tech Services and Other Industries (excluding financial and real estate sectors): Provides up to RMB20 million annually, with a cap at RMB80 million
- ▶ Regional Headquarters of Foreign Multinational Corporations in Guangdong and Shenzhen: A one-time reward of RMB5 million is available for qualifying enterprises

Enhanced tax incentives accessibility:

- ▶ Streamlined processes for overseas investors: Enhances the ease of claiming withholding tax deferral on direct reinvestments
- ▶ Optimization of IIT policies for high-end and high-demand talents in the Greater Bay Area: Facilitates smoother application and review processes
- ▶ Support for foreign-funded R&D centers: these centers may enjoy same import tax incentives and VAT refunds on purchases of domestically manufactured equipment, as the incentives provided for supporting technological innovation

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

https://www.sz.gov.cn/cn/xxgk/zfxxgj/zcfg/content/post_11302242.html

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

- ▶ **Catalog of energy saving and new energy vehicles eligible for preferential Vehicle and Vessel Tax Policies (61st Batch) & Catalog of new energy vehicles eligible for Vehicle Purchase Tax exemption (5th Batch)**
https://www.miit.gov.cn/jgsj/zbys/wjfb/art/2024/art_fd72f646b64943309ecdbe6b8ec9156b.html
- ▶ **Notice on fully leveraging export credit insurance to promote high-quality trade development**
<http://www.mofcom.gov.cn/article/syxwfb/202405/20240503510945.shtml>
- ▶ **Administrative measures for the record-filing and approval for foreign contracted engineering projects**
<http://www.mofcom.gov.cn/article/zwgk/gkzcfb/202405/20240503510303.shtml>
- ▶ **Measures for the Administration of Exploration and Mining Information of Mining Right-holders**
https://f.mnr.gov.cn/202405/t20240517_2845546.html
- ▶ **Guidelines for improving supply chain management of manufacturing enterprises (trial)**
https://www.gov.cn/zhengce/zhengceku/202405/content_6952605.htm
- ▶ **Guiding opinions on standardizing and promoting healthy development of online auctions**
https://www.samr.gov.cn/zw/zfxgk/fdzdgknr/wjs/art/2024/art_a9f26105b12545538094bfd27291c9f1.html
- ▶ **Notice on implementing paperless procedures for the registration of intellectual property pledge by banking financial institutions**
https://www.gov.cn/zhengce/zhengceku/202405/content_6953174.htm
- ▶ **Public notice on the revision of patent certificates**
https://www.cnipa.gov.cn/art/2024/5/16/art_74_192524.html
- ▶ **Template of concession agreement for public-private partnership projects (2024 trial version)**
https://www.ndrc.gov.cn/fggz/gdzctz/tzfg/202405/t20240522_1386427.html
- ▶ **2024 Work plan for industrial internet special working group**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/tz/art/2024/art_a6264b1776a240f684f44927a4a31121.html
- ▶ **Public opinion consultation on the "Requirements for Drug Registration Application for Transferring Production from Overseas to Domestic (Biological Products for Prevention) (Draft for Discussion)"**
<https://www.cde.org.cn/main/news/viewInfoCommon/f967ed0e11b5463bcf4cd6c964fee8a0>
- ▶ **Public opinion consultation on the "Notice on the Filing Procedures and Materials Requirements for Domestic Drug Re-registration (Draft)"**
<https://www.nmpa.gov.cn/xxgk/zhqyj/zhqyjyp/20240513180809143.html>
- ▶ **Public opinion consultation on the "Provisional Regulations on the Standards for Administrative Punishment Discretion of the People's Bank of China (PBOC) (Draft for Discussion)"**
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5360379/index.html>
- ▶ **Public opinion consultation on the "Decisions of the PBOC on the Amendments to Certain Regulations"**
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5360389/index.html>
- ▶ **Public opinion consultation on the "Measures of the Customs of the People's Republic of China for Supervision and Administration of Import and Export Cosmetics"**
<http://www.customs.gov.cn/customs/302452/302329/zjz/5891867/index.html>

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