

# 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 circular

#### ► Summary of the State Taxation Administration's (STA) Q&A on tax inspections and arrears

##### Synopsis

In response to widespread concerns among taxpayers about recent notifications from local tax authorities on tax inspections and the recovery of old tax arrears, China's State Taxation Administration (STA) has provided clarifications through a series of Q&A. These clarifications aim to reassure businesses and taxpayers the scope and nature of these tax reviews.

Key clarifications provided by the STA include:

- **Scope of inspections:** The STA clarified that there are no ongoing nationwide, industry-specific, or large-scale tax inspections targeting arrears from the 1990s. Instead, tax authorities are acting within their legal remit to collect current tax dues and inform businesses of potential tax liabilities.

- ▶ **Supportive measures:** Ongoing implementation of preferential tax and fee policies will continue to support the sustainable development of businesses, ensuring that they can operate in a conducive fiscal environment.
- ▶ **Enforcement focus:** Tax enforcement efforts are being optimized to maintain fairness in the marketplace, with a specific focus on combating illegal activities such as tax evasion and fraud.
- ▶ **Dispute resolution:** Taxpayers are encouraged to engage with tax authorities and resolve disputes through legal avenues, ensuring transparency and fairness in tax matters.
- ▶ **Vigilance on fraud:** The STA has intensified crackdowns on fraudulent activities like false issuance of tax invoices, deceitful tax refunds from fake exports, and fraudulent tax filings aiming to exploit tax incentives. It is crucial to note that there is no statute of limitations for serious offenses such as tax evasion, tax refusal, or tax fraud.
- ▶ **Communication and compliance:** Taxpayers are advised to maintain proactive communication with tax authorities to foster clarity and compliance with tax obligations.

For further details, taxpayers and businesses are encouraged to review the full Q&A available on the STA's official website, which provides comprehensive responses to common concerns and guidance on compliance practices.

You can click this link to access the full contents of the Q&A:

<https://www.chinatax.gov.cn/chinatax/n810219/n810724/c5232494/content.html>

## Business circulars

### ▶ **Enhancing the venture capital ecosystem in China**

#### **Synopsis**

The General Office of the State Council recently issued Circular Guobanfa [2024] No. 31 (Circular 31), outlining strategic measures to foster a high-quality development of the venture capital (VC) sector in China. This initiative is aimed at reinforcing VC's role in propelling technological innovation and entrepreneurship, ensuring that VC operations contribute effectively to the symbiotic growth of science, technology, and finance.

#### **Strategic directions and measures of Circular 31:**

- ▶ **VC sector opening:** Amend regulations to improve foreign investor access to the VC sector, encouraging international professional investment entities to establish funds within China and promote orderly overseas investments by Chinese VC institutions.
- ▶ **Enhanced cross-border operations:** Enhance frameworks for cross-border financing and foreign exchange management, supporting VC operations in handling international financial transactions seamlessly.
- ▶ **Expansion of QFLP pilot:** Broaden the scope of the Qualified Foreign Limited Partnerships (QFLP) to facilitate regulated cross-border investments by foreign VC entities.
- ▶ **VC funding channels:** Encourage insurance and asset management firms to invest more in VC funds and broaden the spectrum of VC fund products available in the market.
- ▶ **Development of diverse VC entities:** Support key enterprises and institutions in engaging more actively in VC, with a focus on high-tech investments. Leverage government-backed VC funds to propel strategic and emerging industries.

- ▶ **Regulatory and supportive framework:** Implement supervision tailored to the VC fund characteristics and connect VC with innovative projects through established mechanisms.

#### **Preferential tax policies for VC investments:**

Qualifying VC enterprises and individual angel investors are eligible for specific tax benefits aimed at promoting investments in technology startups. These include:

- ▶ **Corporate Income Tax (CIT):** 70% of the invested amount can be deducted from taxable income for investments made into small and medium-sized high-and-new technology enterprises.
- ▶ **Individual Income Tax (IIT):** Investors may choose to calculate capital gains at a flat rate of 20% or opt for progressive rates ranging from 5% to 35%.

These policies are part of China's broader efforts to refine the exit mechanisms for VC and enhance the overall business environment for innovation-driven growth.

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

[https://www.gov.cn/zhengce/content/202406/content\\_6958230.htm](https://www.gov.cn/zhengce/content/202406/content_6958230.htm)

### ▶ **2024 Legislative agenda of the Ministry of Commerce**

#### **Synopsis**

On 18 June 2024, the Ministry of Commerce (MOC) unveiled its legislative plan for the year, highlighting strategic reforms and regulatory updates aimed at fostering investment and enhancing sectoral management. The plan emphasizes the adaptation of regulations to support economic growth and attract foreign investment, ensuring compliance and operational excellence across various sectors.

#### **Key legislative updates include:**

##### ▶ **Revision of regulations:**

**Administrative measures for foreign investors' strategic investments in listed companies:** This revision aims to relax restrictions on foreign strategic investments in listed Chinese companies, introducing innovative regulatory approaches to simplify the investment process and enhance transparency.

**Administrative measures for catering operations:** Targeted enhancements in these measures will focus on promoting high-quality development of the catering industry, adjusting to modern health standards, and consumer preferences.

##### ▶ **Introduction of new regulations:**

**Administrative measures on the record-filing and project initiation for overseas contracting projects:** These new measures are designed to improve the overall management of overseas contracting projects, ensuring high standards of operation and fostering global competitiveness.

**Administrative measures for the circulation of refined oil products:** By establishing clearer regulatory rules and standards, these measures aim to strengthen the management of refined oil product circulation, promoting orderly and high-quality sectoral development.

The Ministry's legislative actions are geared towards creating a more conducive business environment, ensuring regulatory clarity and promoting sustainable sector growth. These initiatives reflect the Ministry's commitment to aligning domestic regulations with international business practices and addressing the dynamic needs of economic development.

You can click this link to access the full contents of the 2024 legislative plan:

<http://tfs.mofcom.gov.cn/article/bc/202406/20240603517148.shtml>

## Other business circulars announced by central government authorities in the past week:

### ► **Eight measures on deepening science and technology innovation board market reform**

China has introduced eight new measures aimed at reforming the Science and Technology Innovation Board market. These reforms are designed to enhance sci-tech innovation and foster the development of new, high-quality productive forces.

[https://www.gov.cn/lianbo/bumen/202406/content\\_6958236.htm](https://www.gov.cn/lianbo/bumen/202406/content_6958236.htm)

### ► **Notice on financing credit enhancement initiatives**

This notice outlines new initiatives to bolster financing credit enhancement to support the high-quality development of real economy, aiming to improve financial services accessibility and efficiency.

[https://www.gov.cn/zhengce/zhengceku/202406/content\\_6957266.htm](https://www.gov.cn/zhengce/zhengceku/202406/content_6957266.htm)

### ► **Support for specialized and sophisticated SMEs**

The Ministry of Industry and Information Technology emphasizes further support for the high-quality development of specialized and sophisticated small-and-medium-sized enterprises, recognizing their crucial role in the economic landscape.

[https://www.miit.gov.cn/xwdt/gxdt/sjdt/art/2024/art\\_9fd61222ae6340788eb04cec1e2c71eb.html](https://www.miit.gov.cn/xwdt/gxdt/sjdt/art/2024/art_9fd61222ae6340788eb04cec1e2c71eb.html)

### ► **Application case of share-based payment accounting standard**

An application case highlighting modifications in share-based payment that have led to an increase in the fair value of equity instruments granted, clarifying the relevant accounting standards and their applications.

[http://kjs.mof.gov.cn/zt/kjzzss/srzzzq/gzfyyal/202406/t20240620\\_3937581.htm](http://kjs.mof.gov.cn/zt/kjzzss/srzzzq/gzfyyal/202406/t20240620_3937581.htm)

### ► **Transferring overseas drug production to domestic**

Requirements for application materials focused on the transfer of production of marketed drugs from overseas to domestic, specifically for therapeutic biological products.

<https://www.cde.org.cn/main/news/viewInfoCommon/f37332951c50ea97f7b642b2cf42b3a4>

### ► **Revised intellectual property public service guidelines**

The National Intellectual Property Administration has released a revised version of guidelines aimed at handling intellectual property public service matters to enhance clarity and service quality.

[https://www.cnipa.gov.cn/art/2024/6/13/art\\_562\\_193025.html](https://www.cnipa.gov.cn/art/2024/6/13/art_562_193025.html)

### ► **Australia-China annual leaders' meeting outcomes**

A statement briefing the joint outcomes of the annual leaders' meeting between Australia and China, focusing on strengthening bilateral relations and cooperation.

[https://www.mfa.gov.cn/web/ziliao\\_674904/1179\\_674909/202406/t20240617\\_11437001.shtml](https://www.mfa.gov.cn/web/ziliao_674904/1179_674909/202406/t20240617_11437001.shtml)

### ► **Deepening comprehensive strategic partnership with Malaysia**

Joint statement between China and Malaysia on deepening their comprehensive strategic partnership and building a community with a shared future.

[https://www.gov.cn/yaowen/liebiao/202406/content\\_6958425.htm](https://www.gov.cn/yaowen/liebiao/202406/content_6958425.htm)

## 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

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients, nor does it own or control any member firm or act as the headquarters of any member firm. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

© 2024 Ernst & Young, China.  
All Rights Reserved.

APAC no. 03020380  
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/china](https://ey.com/china)

### Follow us on WeChat

Scan the QR code and stay up-to-date with the latest EY news.

