

# 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

### ► **City Construction Tax Law of the People's Republic of China (PRC) (Chairman Order [2020] No. 51)**

#### **Synopsis**

On 11 August 2020, the Standing Committee of the National People's Congress (NPC) adopted the City Construction Tax (CCT) Law of the PRC ("CCT Law"). Compared with the prevailing regulations, i.e., the Provisional Regulations of the PRC on City Construction Tax ("CCT Regulations"), there are some changes in several aspects in the CCT Law as follows.

#### **Tax basis**

A new clause that "The refund of input Value-added Tax (VAT) credits brought forward from previous periods can be deducted when determining the tax basis of CCT" is added in the CCT Law.

#### **Tax scope**

A new clause that "No CCT shall be levied on VAT or Consumption Tax (CT) paid for imported goods or sales of labor, services and intangible assets in China by overseas entities and individuals" is added in the CCT Law.

## Occurrence of tax liability

It is clarified in the CCT Law that CCT liability occurs at the same time when VAT or CT liability occurs and shall be paid at the same time respectively.

## Tax withholding agents and withholding time

A new clause that “The withholding agents of CCT shall be the entities and individuals with VAT or CT withholding obligations and should withhold CCT at the same time as withholding VAT and CT” is added in the CCT Law.

The CCT Law shall become effective on 1 September 2021 and the CCT Regulations shall become abolished at the same time. Relevant taxpayers are advised to read the CCT Law carefully and observe the regulations. If in doubt, consultations with professionals are always recommended.

We have issued a WeChat news article (in Chinese) to discuss the CCT Law in greater detail on 12 August 2020. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search key words to access the full contents of the WeChat news article.

You can click this link to access the full content of the CCT Law:

<http://www.npc.gov.cn/npc/c30834/202008/9591538ccd764bb787e01e729fe0cbbb.shtml>

You can click this link to access the full content of the CCT Regulations:

[http://www.gov.cn/gongbao/content/2011/content\\_1860809.htm](http://www.gov.cn/gongbao/content/2011/content_1860809.htm)

## ► Deed Tax Law of the PRC (Chairman Order [2020] No. 51)

### Synopsis

On 11 August 2020, the Standing Committee of the NPC adopted the Deed Tax (DT) Law of the PRC (“DT Law”). Compared with the prevailing regulations, i.e., the Provisional Regulations of the PRC on DT (“DT Regulations”), there are some changes in several aspects in the newly released DT Law as follows.

### Tax basis

A new clause that “For transfers of ownership of lands and houses without price, the price shall be determined by tax authorities with reference to the market price of land use rights and houses” is added in the DT Law.

### Tax reduction and exemption

Some new clauses such as “Not-for-profit schools, medical institutions, and social welfare institutions acquire land and housing ownership for office, teaching, medical treatment, scientific research, elderly care, and rescue” and “The State Council is authorized to stipulate DT reduction and exemption in accordance with the needs of national economic and social development, and shall report to the Standing Committee of the NPC for records” are added in the DT Law.

### Tax declaration and payment

According to the DT Law, taxpayers shall declare and pay DT before going through the procedures of land and housing ownership registration.

### Tax refund

A new clause that “Taxpayers may apply for tax refunds in the case the contracts have not become effective, have become invalid, have been cancelled or terminated” is added in the DT Law.

The DT Law shall become effective on 1 September 2021 and the DT Regulations shall become abolished at the same time. Relevant taxpayers, especially those with planned transactions, are advised to read the DT Law carefully and observe the regulations. If in doubt, consultations with professionals are always recommended.

We have issued a WeChat news article (in Chinese) to discuss the DT Law in greater detail on 12 August 2020. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search key words to access the full contents of the WeChat news article.

You can click this link to access the full content of the DT Law:

<http://www.npc.gov.cn/npc/c30834/202008/6037bcf5f0ce4078b7875802ef613064.shtml>

You can click this link to access the full content of the DT Regulations:

[www.chinatax.gov.cn/chinatax/n375/c1586/content.html](http://www.chinatax.gov.cn/chinatax/n375/c1586/content.html)

► **Public notice (PN) regarding revocation of the tax reduction and exemption rules for 20 types of commodities (MOF/STA/GAC PN [2020] No. 36)**

**Synopsis**

According to Guofa [1994] No. 64 ("Circular 64", i.e., Notice regarding opinions on the second set of clarifying the regulations for tariff and import-level tax reduction and exemption), the tax exemption and reduction for 20 type of commodities (regardless of the trade method, region, enterprise, entity or individual of the import) shall be ceased.

On 5 August 2020, the Ministry of Finance (MOF), State Taxation Administration (STA) and General Administration of Customs (GAC) jointly released MOF/STA/GAC PN [2020] No. 36 ("PN 36") to revoke the above-mentioned tax rules for 20 types of commodities.

Based on PN 36, the 20 types of commodities include TV set, video camera, video tape recorder, enlarging machine, audio equipment, air-conditioner, refrigerator, washing machine, camera, copying machine, stored program control telephone switching system, microcomputer and peripheral equipment, telephone, radio-pager system, fax machine, electronic calculator, typewriter and word processor, furniture, lamps and lanterns, and food ingredients (refer to condiments, meat, poultry, eggs, vegetables, aquatic products, fruits, beverages, wine and dairy products).

PN 36 shall become effective from its promulgation date, i.e., 5 August 2020. Relevant enterprises and individuals are encouraged to read PN 36 for more details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 64:

[http://www.gov.cn/zhengce/content/2016-08/30/content\\_5103501.htm](http://www.gov.cn/zhengce/content/2016-08/30/content_5103501.htm)

You can click this link to access the full content of PN 36:

[http://www.gov.cn/zhengce/zhengceku/2020-08/14/content\\_5534738.htm](http://www.gov.cn/zhengce/zhengceku/2020-08/14/content_5534738.htm)

**Business circulars**

- **Approval on fully deepening the pilot program of the innovative development of trade in services (Guohan [2020] No. 111)**
- **Notice regarding the overall plan for fully deepening the pilot program of the innovative development of trade in services (Shangfumaofa [2020] No. 165)**

**Synopsis**

On 2 August 2020, the State Council released Guohan [2020] No. 111 ("Circular 111") to approve the "Overall Plan for Fully Deepening the Pilot Program of the Innovative Development of Trade in Services" (hereinafter referred to as the "Overall Plan") which aims to further promote trade in services of China in the global value chain and stabilize foreign trade and foreign investment.



On 12 August 2020, the Overall Plan was formally announced by the Ministry of Commerce via Shangfumaofa [2020] No. 165 ("Circular 165"). According to the Overall Plan, the pilot program shall be implemented in areas including Beijing, Tianjin, Shanghai and Chongqing (21 municipal districts including Fuling district), Hainan, Dalian, Xiamen, Qingdao, Shenzhen, Shijiazhuang, Changchun, Haerbin, Nanjing, Suzhou, Hangzhou, Hefei, Jinan, Weihai, Wuhan, Guangzhou, Chengdu, Guiyang, Kunming, Xi'an, Urumqi, Xiongan of Hebei, Guian of Guizhou and Xixian of Shanxi (hereinafter referred to as the "pilot areas") for three years started from 2 August 2020.

The Overall Plan sets out 122 assignments to be implemented in the pilot areas by the relevant government authorities. Among which, the following key tasks of the pilot are worth to note:

- ▶ A franchisor engaging in commercial franchises in Hainan (not involving trans-provincial business operations) is not required to complete record filing for commercial franchises.
- ▶ The China international trade single window platform (i.e., the electronic customs declaration system) shall be further upgraded to handle declaration matters of more service trade related items, as well as tax refund filing for service trade. The functions of the platform shall be further expanded to cover logistic and trade services, and gradually cover the administration for the whole chain of international trade.
- ▶ Encourage qualifying banks and insurance companies of Hong Kong and Macao to establish branches in qualifying pilot areas.
- ▶ Support the development of cross-border commercial medical insurance products in cooperation with overseas institutions in qualifying pilot areas.
- ▶ In certain pilot areas where prescribed criteria are met, investment management institutions set up by domestic/foreign institutions may apply for the status of Qualified Domestic Institutional Investor (QDII) and RMB Qualified Domestic Institutional Investor (RQDII) to engage in direct outbound investment, security investment, as well as derivative investments overseas.
- ▶ Encourage overseas private equities (PEs) to engage in financing of innovation technology enterprises in certain pilot areas. Qualifying overseas PEs may invest in the Jing-Jin-Ji Region, the Yangtze River Delta Region and the Greater Bay Area.
- ▶ Support the establishment of international education experimental zones in certain pilot areas and promote Sino-foreign cooperative development of education. The admission policy for foreign teachers, experts and technicians shall be further optimized.
- ▶ In certain pilot areas, the cross-border RMB business in trade service sector shall be implemented on a pilot basis by key enterprises and projects. If possible, the pilot of cross-border RMB business shall be further expanded to cover all the pilot areas.
- ▶ Systems of RMB cross-border trade financing and refinancing services shall be established in pilot areas to provide RMB financing services for cross-border trade.
- ▶ In pilot areas, the supply of bonded fuel oil can be calculated and settled in RMB.
- ▶ Cross-border RMB services shall be further optimized in pilot areas. Overseas investors are encouraged to directly invest in pilot areas in RMB and engage in transactions of domestic state-owned properties with RMB.
- ▶ Encourage offshore RMB investment and lending funds to be set up in certain pilot areas and encourage qualifying institutions to engage in the Qualified Domestic Limited Partner (QDLP) pilot.
- ▶ Encourage qualifying domestic and foreign investment institutions in pilot areas to establish bank card clearing houses for domestic RMB settlement.
- ▶ Encourage qualifying financial institutions (e.g., finance enterprises, security enterprises and fund management enterprises) to obtain status for handling settlement and sale of foreign exchange to engage in spot foreign exchange and derivative trade.
- ▶ Launch pilot for digital RMB in pilot areas of the Jing-Jin-Ji Region, the Yangtze River Delta Region and the Greater Bay Area, as well as certain pilot areas in the mid-west region.

- ▶ Provide facilitation on the visa/residency and permanent residency for high-end foreign talents to work in pilot areas of the Jing-Jin-Ji Region, the Yangtze River Delta Region and the Greater Bay Area.

For the tasks assigned to the relevant government authorities regarding stipulation of policies and measures, such tasks are to be completed by 31 December 2020 in principle. Except for those, other tasks are not assigned with definite deadlines but should be completed as soon as possible. It is worth noting that certain tasks mentioned in the Overall Plan are related to facilitation of trade, investment, cross-border capital flows, entry/exit of foreign talents, etc., quite a few of them are related to development of the Hainan Free Trade Port, the Greater Bay Area as well as the pilot free trade zones. Concerned businesses should stay alert to the detailed measures to be stipulated and launched by the relevant government authorities. We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the full content of Circular 111:

[http://www.gov.cn/zhengce/content/2020-08/11/content\\_5534081.htm](http://www.gov.cn/zhengce/content/2020-08/11/content_5534081.htm)

You can click this link to access the full content of Circular 165:

<http://www.mofcom.gov.cn/article/b/xxfb/202008/20200802992306.shtml>

## ▶ **Opinions on further stabilizing foreign trade and foreign investment (Guobanfa [2020] No. 28)**

### **Synopsis**

On 12 August 2020, the State Council released Guobanfa [2020] No. 28 (“Circular 28”) to announce 15 measures in respect of further stabilizing foreign trade and foreign investment.

Key features of Circular 28 include:

### **Supporting measures for foreign investment**

- ▶ Encourage foreign investment in high and new technology sector as well as healthcare sector by promoting the recognition facilitation of high-and-new technology enterprises and the quality of relevant services.
- ▶ Encourage foreign investment in research and development centers by lowering the barrier for foreign invested research and development centers to enjoy import duty/import level VAT and CT exemption for the importation of qualifying instruments for scientific research, development and education purposes.

### **Supporting measures for foreign trade**

- ▶ Optimize the export tax refund services and speed up tax refund process.
- ▶ Encourage more comprehensive foreign trade service enterprises to apply for the status of authorized economic operator (AEO), so that they may enjoy the relevant measures.
- ▶ Further improve the facilitation of customs clearance process.

Additionally, according to Circular 28, key foreign investment enterprises and foreign trade enterprises are also granted with various financial supports as well as preferential allocation of resources, etc. We have issued a WeChat news article (in Chinese) to discuss Circular 28 in greater detail on 13 August 2020. For the WeChat news article, you can follow us on WeChat by scanning the QR Code on the last page of this CTIE and search key words to access the full contents of the WeChat news article.

It is anticipated that the relevant government authorities would further stipulate and release detailed implementation rules in response to Circular 28. We will keep an eye on any further developments and advise you accordingly; please stay tuned.

You can click this link to access the full content of Circular 28:

[http://www.gov.cn/zhengce/content/2020-08/12/content\\_5534361.htm](http://www.gov.cn/zhengce/content/2020-08/12/content_5534361.htm)

## Customs circular

- ▶ **PN regarding expanding the scope of the pilot supervision of exports of business-to-business (B2B) cross-border e-commerce (GAC PN [2020] No. 92)**

### Synopsis

On 12 June 2020, the GAC released GAC PN [2020] No. 75 ("PN 75", i.e., PN regarding a pilot of customs supervision on cross-border e-commerce enterprises) to implement a pilot of customs supervision on B2B cross-border e-commerce exports via cross-border e-commerce platforms in Customs of Beijing, Tianjin, Nanjing, Hangzhou, Ningbo, Xiamen, Zhengzhou, Shenzhen and Huangpu from 1 July 2020. (Please refer to CTIE2020024 for details of PN 75.)

To accelerate the development of cross-border e-commerce, further to PN 75, the GAC released GAC PN [2020] No. 92 ("PN 92") on 13 August 2020 to expand the scope of the pilot supervision of exports of B2B cross-border e-commerce (hereinafter referred to as the "pilot").

According to PN 92, the scope of pilot shall be expanded to the Customs of Shanghai, Fuzhou, Qingdao, Jinan, Wuhan, Changsha, Gongbei, Zhanjiang, Nanning, Chongqing, Chengdu and Xi'an. The issues related to the pilot shall be conducted in accordance with PN 75.

PN 92 shall become effective from 1 September 2020.

You can click this link to access the full content of PN 75:

<http://www.customs.gov.cn/customs/302249/2480148/3136658/index.html>

You can click this link to access the full content of PN 92:

<http://www.customs.gov.cn/customs/302249/2480148/3241719/index.html>

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

- ▶ **Notice regarding further enhancing the administration on local tax reduction and exemption (Shuizongbanfa [2020] No. 21)**  
<http://shanghai.chinatax.gov.cn/zcfw/zcfqk/ykgf/202008/t454887.html>
- ▶ **Guiding opinions on promoting the construction of new infrastructure in the transportation sector (Jiaoguihuafa [2020] No. 75)**  
[http://www.gov.cn/zhengce/zhengceku/2020-08/06/content\\_5532842.htm](http://www.gov.cn/zhengce/zhengceku/2020-08/06/content_5532842.htm)
- ▶ **Notice regarding the public opinion consultation on the "Opinions on Enhancing the Protection of Rights Related to Copyright (Discussion Draft)"**  
<http://www.court.gov.cn/zixun-xiangqing-246041.html>
- ▶ **Guiding opinions on enhancing the standardization for green packaging of express delivery (Guoshijianbiaoji [2020] No. 126)**  
[http://gkml.samr.gov.cn/nsjg/bzjss/202008/t20200807\\_320623.html](http://gkml.samr.gov.cn/nsjg/bzjss/202008/t20200807_320623.html)
- ▶ **Notice regarding the public opinion consultation on the "Administrative Measures on Major Issues Reporting of Non-banking Payment Services Institutions (Discussion Draft)"**  
<http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/4068945/index.html>
- ▶ **Decision on authorizing the State Council to conduct the pilot program of helping legal practitioners from Hong Kong and Macao obtain practicing qualifications and work as practicing attorneys in the nine mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area**  
<http://www.npc.gov.cn/npc/c30834/202008/2ab218efc1b14d79bb7ea9301bbfb3ea.shtml>
- ▶ **Public notice regarding further promoting the online supervision of imported and exported transport equipment (GAC PN [2020] No. 91)**  
<http://www.customs.gov.cn/customs/302249/2480148/3238911/index.html>

## Contact us

For more information, please contact your usual EY contact or one of the following EY's China tax leaders.

### Author – China Tax Center

Jane Hui  
+852 2629 3836  
jane.hui@hk.ey.com

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### Greater China Tax Leader

Henry Chan  
+86 10 5815 3397  
henry.chan@cn.ey.com

### Our tax leaders by market segment and service areas

#### Martin Ngai (China North)

+86 10 5815 3231  
martin.ngai@cn.ey.com

#### Patricia Xia (China Central)

+86 21 2228 2878  
patricia.xia@cn.ey.com

#### Clement Yuen (China South)

+86 755 2502 8280  
clement.yuen@cn.ey.com

#### David Chan (Hong Kong SAR/Macau SAR)

+852 2629 3228  
david.chan@hk.ey.com

#### Heidi Liu (Taiwan)

+886 2 2757 8888  
heidi.liu@tw.ey.com

#### Carrie Tang

Business Tax Services  
+86 21 2228 2116  
carrie.tang@cn.ey.com

#### Vickie Tan

Global Compliance and Reporting  
+86 21 2228 2648  
vickie.tan@cn.ey.com

#### Becky Lai

Tax Policy  
+852 2629 3188  
becky.lai@hk.ey.com

#### Andrew Choy

International Tax and Transaction Services  
+86 10 5815 3230  
andrew.choy@cn.ey.com

#### Travis Qiu

ITTS - Transfer Pricing  
+86 21 2228 2941  
travis.qiu@cn.ey.com

#### Jesse Lv

ITTS - Transaction Tax  
+86 21 2228 2798  
jesse.lv@cn.ey.com

#### Kenneth Leung

Indirect Tax  
+86 10 5815 3808  
kenneth.leung@cn.ey.com

#### Bryan Tang

Indirect Tax - Global Trade  
+86 21 2228 2294  
bryan.tang@cn.ey.com

#### Patricia Xia

Tax Technology  
and Transformation  
+86 21 2228 2878  
patricia.xia@cn.ey.com

#### Paul Wen

People Advisory Services  
+852 2629 3876  
paul.wen@hk.ey.com

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