



# 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 matters related to the 2023 annual Individual Income Tax (IIT) filing for consolidated income (STA PN [2024] No. 2)

### Synopsis

To effectively protect the legitimate right and interest of taxpayers and improve the system for annual IIT filing of consolidated income, on 31 January 2024, the State Taxation Administration (STA) announced STA PN [2024] No. 2 (PN 2) to clarify issues related to the annual IIT filing for consolidated income derived by resident taxpayers for the year 2023 (hereinafter referred to as "annual IIT filing").



Key features of PN 2 are as follows:

#### Calculation of IIT payable or refundable in the 2023 annual IIT filing

The consolidated income (i.e., wages and salaries, personal service remuneration, authors' remuneration and royalties) of a resident taxpayer, shall be added up for calculating IIT payable or refundable for the year 2023 with a specific formula as below:

IIT payable or refundable for annual IIT filing = [(Consolidated income - RMB60,000 - Special deductions - Specific additional tax deductions - Other deductions stipulated by law and regulations - Qualifying charitable donations) × Applicable tax rate - Quick reckoning deduction] - Tax pre-paid for the year 2023

#### Notable changes for the 2023 annual IIT filing

- The time limit for the entrustment confirmation was further extended. Taxpayers shall be given sufficient time to confirm the entrustment relationship with their employers. The confirmation is no longer necessary to be completed before 30 April 2024.
- Requirements of filing documents and data retention for taxpayers who received income from two or more stock incentive plans in a tax year are newly added. IIT on stock incentives shall be calculated on a consolidated basis under the circumstances that a taxpayer obtained multiple stock incentives within a tax year.
- If a taxpayer is found to have undeclared, unpaid, or underpaid IIT after the annual IIT filing, tax authorities will order the taxpayer to correct this within a time limit. They will deliver notification through the IIT mobile app, website, or other approved methods. The taxpayer must then pay any outstanding tax owed, plus applicable late payment surcharges according to current rules. This late payment will be recorded in the taxpayer's IIT filing record.

Who will be required to perform the 2023 annual IIT filing:

A resident taxpayer who meets one of the following criteria is required to perform the 2023 annual IIT filing	A resident taxpayer who meets one of the following criteria does not need to perform the 2023 annual IIT filing provided that the individual's provisional IIT filings have already been completed as required by law
<ul style="list-style-type: none"> <li>• A resident taxpayer has overpaid IIT for consolidated income for the year 2023 and would like to apply for a tax refund.</li> <li>• A resident taxpayer's annual consolidated income exceeds RMB120,000 and has underpaid IIT of more than RMB400 for consolidated income for the year 2023.</li> <li>• A resident taxpayer has underpaid IIT for consolidated income for the year 2023 due to the fact that the taxpayer's consolidated income was wrongly calculated by classifying the income in the wrong category or the withholding agent failed to withhold IIT as required.</li> </ul>	<ul style="list-style-type: none"> <li>• A resident taxpayer has underpaid IIT for consolidated income for 2023 but the individual's 2023 annual consolidated income does not exceed RMB120,000.</li> <li>• A taxpayer's underpaid IIT for consolidated income is RMB400 or below for the year 2023.</li> <li>• A taxpayer's pre-paid IIT amount is consistent with the IIT payable amount for the year 2023.</li> <li>• A taxpayer is qualified for a tax refund but decides not to claim it.</li> </ul>

#### Timeline for the annual IIT filing

The 2023 annual IIT filing should be completed within the period from 1 March 2024 to 30 June 2024. Resident taxpayers who have no domicile in the Chinese mainland and plan to depart before 1 March 2024 may complete the annual IIT filing before their departure.

## Miscellaneous

In addition, PN 2 reiterates the preferential IIT policies as prescribed in MOF/STA/MOHURD PN [2023] No. 28 (PN 28, i.e., PN regarding extending the IIT policies supporting residents in home purchases), from 1 January 2024 to 31 December 2025, individuals who sell their own residential property and repurchase a new property within one year after sale will be eligible for a refund on IIT paid for their previous sales.

Relevant individuals and their withholding agents are encouraged to read PN 2 for more details. It is important for taxpayers to check if they have any outstanding income or expenses (e.g., royalty income, charitable donation, or deductible educational expenses) that should be considered in the 2023 annual IIT filing. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full contents of PN 2:

<https://fgk.chinatax.gov.cn/zcfgk/c100012/c5221099/content.html>

You can click this link to access the full contents of PN 28:

<https://www.chinatax.gov.cn/chinatax/n363/c5211155/content.html>

- ▶ Decisions on the amendments to the “Implementation Rules for the Administrative Measures of the People’s Republic of China (PRC) on Tax Invoices” (STA Order [2024] No. 56)

### Synopsis

The State Council revised the Measures of the PRC on Tax Invoices on 20 July 2023. Accordingly, the STA issued Decisions on the amendments to the “Implementation Rules for the Administrative Measures of the PRC on Tax Invoices” (hereinafter referred to as the “Revised Implementation Rules”) via STA Order [2024] No. 56 on 15 January 2024.

Key amendments of the Revised Implementation Rules include:

- Clarifying the basic management regulations for e-invoices
  - Emphasizing e-invoices and paper invoices possessing equal legal validity. In addition, the Revised Implementation Rules also highlight tax authorities’ responsibilities to build e-invoicing platforms and provide digital services for issuing, delivering, and verifying e-invoices.
  - Adding regulations on the issuance of “red-letter” e-invoice
  - Adding regulations on developing e-invoice information systems and invoice data security
- New regulations have been introduced on invoice data security
  - Tax authorities are responsible for establishing robust systems to safeguard invoice data security.
  - Taxpayers have obligations to protect invoice data security.
  - Third parties providing invoice services must be supervised by tax authorities.
  - Tax authorities are permitted to access, extract, retrieve, review, and copy invoice data during audits.
- Details have been added on identifying illegal invoice activities

The clause on fraudulent issuance of invoices has been refined to specify situations where invoices do not match actual business activities.

- Connection with current laws and regulations

Where a violation is identified but does not meet the criteria for an investigation, administrative departments should consider applying simplified penalties or first-time non-punishment without an investigation.

Overall, the issuance of the Revised Implementation Rules aims to strengthen invoice data security, provide clarity on violations, improve enforcement procedures, and refine invoice administrative requirements. Taxpayers are encouraged to read the Revised Implementation Rules for more details.

You can click this link to access the full contents of the Revised Implementation Rules:

<https://fgk.chinatax.gov.cn/zcfgk/c100011/c5221006/content.html>

You can click this link to access the full contents of the Measures of the PRC on Tax Invoices:

<https://fgk.chinatax.gov.cn/zcfgk/c100010/c5195084/content.html>

## Business circular

- ▶ Regulations on the Standards for Declaring Concentration of Business Operators (State Council Order [2024] No. 773)

### Synopsis

On 22 January 2024, the State Council published the revised Regulations on the Standards for Declaring Concentration of Business Operators (hereinafter referred to as the “Revised Regulations”) via State Council Order [2024] No. 773.

The announcement of the Revised Regulations aims to adjust the filing standards for concentration of business operators to meet the fair needs of promoting high-quality development and accelerating building a unified national market.

The adjusted filing standards for concentration of business operators are as follows:

- The global aggregate turnover in the previous accounting year of all business operators participating in the concentration is raised from over RMB10 billion to over RMB12 billion.
- The aggregate turnover within China in the previous accounting year of all business operators participating in the concentration is raised from over RMB2 billion to over RMB4 billion.
- The turnover within China in the previous accounting year of at least two business operators participating in the concentration is raised from both over RMB400 million to both over RMB800 million.

In addition, according to the Revised Regulations, the State Council’s anti-monopoly law enforcement agency shall evaluate implementation of the filing standards from time to time based on economic development.

You can click this link to access the full contents of the Revised Regulations:

[https://www.gov.cn/zhengce/content/202401/content\\_6928387.htm](https://www.gov.cn/zhengce/content/202401/content_6928387.htm)

## Customs circular

- ▶ PN regarding matters related to the implementation of the “Guiding Catalog of Industrial Structure Adjustment (2024 Version)” (GAC PN [2024] No. 13)

### Synopsis

Guiding Catalog of Industrial Structure Adjustment (2024 Version) (hereinafter referred to as the “2024 Guiding Catalog”) came into effect on 1 February 2024, and therefore the General Administration of Customs (GAC) issued GAC PN [2024] No. 13 (PN 13) on 29 January 2024 clarifying certain matters related to the implementation of 2024 Guiding Catalog by customs.

Key features of PN 13 are as follows:

#### Import tariffs

Starting from 1 February 2024, the imported self-used equipment within the limitation of the total investment in the domestic investment projects under the scope of the encouraged category of the 2024 Guiding Catalog, as well as the technology and spare parts imported with the equipment in accordance with the contracts, are exempted from import tariffs except for the commodities listed in prescribed catalogs which would not be granted with import tariffs exemption.

#### Import level Value-added Tax (VAT)

The above-mentioned imported equipment and its related technology and spare parts shall still be subject to import level VAT.

#### Transitional procedures

Domestic investment projects	Relevant procedures
The project falls into the scope of the encouraged category of the 2024 Guiding Catalog and approved prior to 1 February 2024	Enterprises shall provide relevant confirmation letters issued by the investment authorities or the customs to the customs offices for filing the import tariffs exemption.
The project falls into the scope of the encouraged category of the Guiding Catalog of Industrial Structure Adjustment (2019 Version) (hereinafter referred to as the "2019 Guiding Catalog") but failed to fall into the scope of the encouraged category of the 2024 Guiding Catalog and approved prior to 1 February 2024	Enterprises shall provide relevant confirmation letters issued by the investment authorities or the customs before 1 February 2025 to the customs offices for filing the import tariffs exemption.
The project in construction falls into the scope of the encouraged category of the 2024 Guiding Catalog but failed to fall into the scope of that of the 2019 Guiding Catalog	The imported self-used equipment together with its related technology and spare parts imported in accordance with the contracts, may be exempted from import tariffs according to PN 13. However, if the import tariffs have been paid by enterprises, they shall not be refunded.

PN 13 is effective from 1 February 2024.

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

<http://www.customs.gov.cn/customs/302249/302266/302267/5658383/index.html>

You can click this link to access the full contents of the 2024 Guiding Catalog:

[https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/t20231229\\_1362999.html](https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/t20231229_1362999.html)

You can click this link to access the full contents of the 2019 Guiding Catalog:

<https://zfxgk.ndrc.gov.cn/upload/images/20220/202201016405480.pdf>

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

- ▶ Special Guide on Export Tax Refunds (II)  
<https://www.chinatax.gov.cn/chinatax/n810214/c102374/c102375d/c5220975/content.html>
- ▶ Guide for Foreigners Working and Living in China (2024 Version)  
<http://images.mofcom.gov.cn/wzs/202401/20240125094949758.pdf>
- ▶ Implementation opinions on promoting the innovative development of future industries (Gongxinbulianke [2024] No. 12)  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2024/art\\_ad15b0f08a714fd8888c0e31468b8c54.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2024/art_ad15b0f08a714fd8888c0e31468b8c54.html)

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ED None.

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