

# 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

- ▶ **Notice regarding further promoting the steady and healthy development of the real estate market in Shenzhen (Shenjianzi [2020] No. 137)**

### Synopsis

According to the prevailing Caishui [2016] No. 36 ("Circular 36", i.e., Notice regarding the final stage of the Value-added Tax (VAT) pilot arrangements) issued by the Ministry of Finance (MOF) and State Taxation Administration (STA), sales of residential property in Beijing, Shanghai, Guangzhou and Shenzhen by individuals should apply the following VAT rules (please refer to CTIE2016012 and EY's Indirect Tax Alert issue no. 2016001 and 2016002 for details of Circular 36):

- ▶ For sales of residential property acquired within two years, the gross sales income shall be subject to VAT at 5%;
- ▶ For sales of non-ordinary residential property acquired for at least two years, the net income (sales income minus purchase price) shall be subject to VAT at 5%;
- ▶ For sales of ordinary residential property acquired for at least two years, the sales income shall be exempted from VAT.

Lately, the Shenzhen Housing Construction Bureau, Shenzhen Tax Bureau under the STA and four other relevant Shenzhen authorities jointly released Shenjianzi [2020] No. 137 ("Circular 137") on 15 July 2020 announcing several measures that aimed to cool down the overheated real estate market in Shenzhen.

According to Circular 137, the abovementioned "two years" rule shall be replaced by "five years". Thus, in Shenzhen, the above VAT policies shall be revised as follows:

- ▶ For sales of residential property acquired within five years, the gross sales income shall be subject to VAT at 5%;
- ▶ For sales of non-ordinary residential property acquired for at least five years, the net income (sales income minus purchase price) shall be subject to VAT at 5%.
- ▶ For sales of ordinary residential property acquired for at least five years, the sales income shall be exempted from VAT.

In addition, Circular 137 stipulates that ordinary residential property eligible for the VAT exemption should meet all the following criteria:

- ▶ The number of residential property is one or above;
- ▶ The built-up area of the residence should be 120 square meters or below or the gross floor area of the residence should be 144 square meters or below.
- ▶ The actual transaction price should not be more than RMB7,500,000.

As Circular 36 was stipulated and published by the MOF and STA, it is understood that the Shenzhen Tax Bureau under the STA should have obtained endorsement from the MOF and STA before the issuance of Circular 137. As a general practice, the MOF and STA may issue a new circular to announce the amendment of the relevant provisions in Circular 36. Also, it is yet to be seen whether government authorities of Beijing, Shanghai and Guangzhou would follow Shenzhen's approach.

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 137:

[http://zjj.sz.gov.cn/xxgk/tzgg/content/post\\_7891958.html](http://zjj.sz.gov.cn/xxgk/tzgg/content/post_7891958.html)

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

<http://www.chinatax.gov.cn/n810341/n810755/c2043931/content.html>

▶ **Notice regarding optimizing tax enforcement and prohibiting overcharged taxes and fees (Shuizongfa [2020] No. 29)**

**Synopsis**

To further promote tax services, on 18 June 2020, the STA released Shuizongfa [2020] No. 29 ("Circular 29") regarding optimizing tax enforcement and prohibiting overcharged taxes and fees.

Key features of Circular 29 are as follows:

- ▶ The unlawful collection of taxes and fees shall be prevented.
- ▶ The tax risk management shall be optimized. The operating mechanism for the prior, interim, and ex-post administration of tax risk shall be promoted.
- ▶ The development of new type of business shall be supported. The tax policy system and administrative service measures for e-commerce, "Internet plus" and other new type of business shall be completed. Tax authorities shall follow the tolerant and prudent principle while the entire tax inspection for specific new type of business or business models shall be prohibited.

- ▶ The preferential tax and fee policies shall be fully implemented.
- ▶ Services for tax and fee handling shall be continuously improved through simplifying the filing formalities.
- ▶ Tax authorities shall promote working methods in accordance with the development of economic and society.

Relevant enterprises are encouraged to read Circular 29 for more details.

You can click this link to access the full content of Circular 29

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5154333/content.html>

## Business circular

- ▶ **Notice issued by the Administration Committee of the Lin-gang Special Area of the China (Shanghai) Pilot Free Trade Zone (SHPFTZ) regarding the “Measures on the Recognition and Administration of Technology Enterprise Incubation Carriers (TEICs) in the Lin-gang Special Area of the SHPFTZ”**

### Synopsis

On 7 July 2020, the Administration Committee of the Lin-gang Special Area of the SHPFTZ released the “Measures on the Recognition and Administration of TEICs in the Lin-gang Special Area of the SHPFTZ” (hereinafter referred to as the “Measures”) to further promote the rapid and high-quality development of technology-based small and medium-sized enterprises. The Measures shall be effective for five years since 10 July 2020.

Key features of the Measures are as follows:

### Definition of “TEIC”

TEIC referred to in the Measures is a general term covering various types of incubation carriers such as mass innovation space, technology enterprise incubators, technology enterprise accelerators, etc.

### Recognition standards

The Measures set out specific standards for mass innovation space, technology enterprise incubators and technology enterprise accelerators respectively as well as detailed requirements for types of operating entity, operating hours, site area, number and composition of team members, etc.

### Application and administration

The construction of the TEIC shall be based on a voluntary basis. The application form and related application materials shall be submitted through the online platform in accordance with the requirements within the specified time frame.

Where a TEIC changes its name, operating entity, site location or area, it must report to the Administration Committee of the Lin-gang Special Area within three months from the day of any condition change.

The Administration Committee of the Lin-gang Special Area shall conduct operation evaluation and determine the evaluation results and the amounts of support subsidies through the procedures of formal review, on-site inspection, expert review, and joint review, and publicize the projects proposed to be supported.

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

<https://www.lgxc.gov.cn/contents/25/27198.html>

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

- ▶ **Notice issued regarding the commencement of the 2020 application and re-assessment for qualified national public service demonstration platforms (technology) for small and medium-sized enterprises entitled to import-level tax exemption for supporting scientific and technological innovation (Gongqiyehan [2020] No. 196)**  
<http://www.miit.gov.cn/n1146290/n1146402/n1146440/c7999105/content.html>
- ▶ **Public notice (PN) regarding the Vehicle Purchase Tax exemption policies for non-transportation vehicles with fixed equipment (MOF/STA/MIIT PN [2020] No. 35)**  
[http://www.gov.cn/zhengce/zhengceku/2020-07/16/content\\_5527297.htm](http://www.gov.cn/zhengce/zhengceku/2020-07/16/content_5527297.htm)
- ▶ **PN regarding granting zero-tariff treatment to 97% of taxable goods originated from the People's Republic of Kiribati (Customs Tariff Commission PN [2020] No. 6)**  
[http://www.mof.gov.cn/gp/xxgkml/gss/202007/t20200715\\_3550067.htm](http://www.mof.gov.cn/gp/xxgkml/gss/202007/t20200715_3550067.htm)
- ▶ **Notice regarding enhancing collaboration and promoting financial support to stabilize foreign trade/investment and boost consumption (Shangbancaihan [2020] No. 170)**  
[http://www.gov.cn/zhengce/zhengceku/2020-07/13/content\\_5526365.htm](http://www.gov.cn/zhengce/zhengceku/2020-07/13/content_5526365.htm)
- ▶ **Regulation on ensuring timely payments to small and medium-sized enterprises (State Council Order [2020] No. 728)**  
[http://www.gov.cn/zhengce/content/2020-07/14/content\\_5526768.htm](http://www.gov.cn/zhengce/content/2020-07/14/content_5526768.htm)
- ▶ **Opinions on supporting the health development of new forms of business to stimulate consumption and employment (Fagaigaoji [2020] No. 1157)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202007/t20200715\\_1233793.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202007/t20200715_1233793.html)
- ▶ **Notice regarding issues related to promoting work resumption of tourism enterprises (Wenlvfadian [2020] No. 104)**  
[http://www.gov.cn/zhengce/zhengceku/2020-07/14/content\\_5526872.htm](http://www.gov.cn/zhengce/zhengceku/2020-07/14/content_5526872.htm)
- ▶ **Notice regarding a catalog of currently enforceable regulations on foreign exchange (as of 30 June 2020)**  
<http://www.safe.gov.cn/safe/2020/0713/16656.html>
- ▶ **Guiding opinions on further promoting the development of service-embedded manufacturing (Gongxinbulianzhengfa [2020] No. 101)**  
<http://www.miit.gov.cn/n1146295/n1652858/n1652930/n3757016/c8010578/content.html>
- ▶ **Notice regarding the "List of Matters Subject to Random Inspection Jointly Conducted in Market Supervision Areas (First Edition)" (Guoshijianxin [2020] No. 111)**  
[http://www.samr.gov.cn/xyjgs/gzdt/202007/t20200716\\_319835.html](http://www.samr.gov.cn/xyjgs/gzdt/202007/t20200716_319835.html)
- ▶ **Collection of Policy Measures in Support of the Development of Circulation Enterprises**  
<http://www.mofcom.gov.cn/article/b/d/202007/20200702983279.shtml>
- ▶ **Collection of Policies for Responding to the COVID-19 Epidemic and Promoting Economic Development (July 6th - July 12th)**  
<http://www.mofcom.gov.cn/article/b/fwzl/202007/20200702983292.shtml>
- ▶ **Decision on abolishing certain regulations (SAMR Order [2020] No. 29)**  
[http://gkml.samr.gov.cn/nsjg/fqs/202007/t20200716\\_319829.html](http://gkml.samr.gov.cn/nsjg/fqs/202007/t20200716_319829.html)
- ▶ **Provisional Administrative Measures for the Online Loans of Commercial Banks (CBIRC Order [2020] No. 9)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=916525>
- ▶ **PN regarding the "Customs Clearance Instruction for the 2020 China International Import Expo" and the "Facilitating Measures of the China Customs for the 2020 China International Import Expo" (GAC PN [2020] No. 84)**  
<http://www.customs.gov.cn/customs/302249/2480148/3188808/index.html>

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