



Building a better
working world

Issue No. 2020035
04 September 2020

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

- ▶ **Provisional Administrative Measures on the List of High-end Talents and Urgently needed Talents Who Are Eligible for Individual Income Tax (IIT) Preferential Policies in Hainan Free Trade Port (FTP) (Qiongfu [2020] No. 41)**

Synopsis

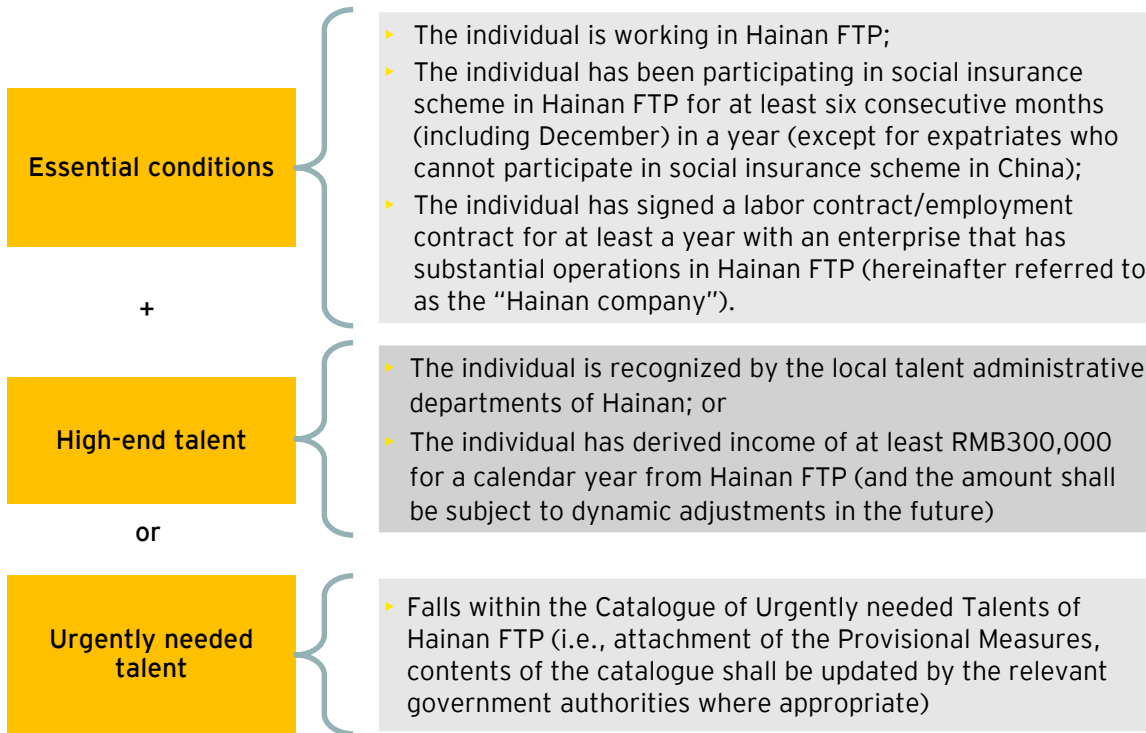
According to the Overall Plan for the Construction of Hainan FTP (hereinafter referred to as the "Plan") and Caishui [2020] No. 32 ("Circular 32", i.e., Notice regarding the IIT policies for high-end talents and urgently needed talents in Hainan FTP), for high-end or urgently needed talents that work in Hainan FTP, the portion of their IIT burden exceeding 15% shall be exempted from 1 January 2020 to 31 December 2024. (Please refer to CTIE2020022, our WeChat article posted on 2 June 2020 and CTIE2020026 for details of the Plan and Circular 32.)

To implement the above IIT preferential treatment, on 26 August 2020, the Hainan Provincial People's Government announced the Provisional Administrative Measures on the List of High-end Talents and Urgently needed Talents Who Are Eligible for IIT Preferential Policies in Hainan FTP (hereinafter referred to as the "Provisional Measures").

Key features of the Provisional Measures are as follows:

Eligible individuals

To be eligible for the IIT preferential treatment, an individual should satisfy all of the essential conditions and be qualified as a high-end talent or an urgently needed talent:



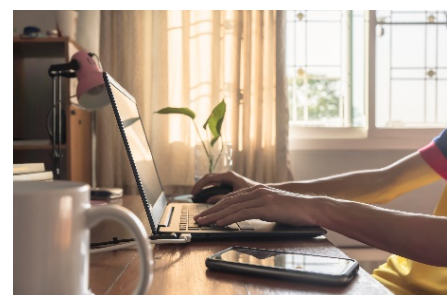
However, an individual shall not be applicable to IIT preferential treatment if he/she is subject to joint punishment for acts of bad faith.

Application of the IIT preferential treatment

According to Circular 32, the IIT preferential treatment shall apply to the individual's consolidated income (i.e., the sum of salaries and wages, remuneration for personal services, authors' remuneration and royalties) that are derived from Hainan FTP as well as operating income and any talent related subsidy income recognized by the Hainan government authorities. As further specified in the Provisional Measures, where an individual is qualified as a high-end talent or urgently needed talent, he/she shall be eligible for the IIT preferential treatment for the current year under the annual IIT filing framework. In other words, relevant taxpayers would likely need to apply for IIT refunds upon annual IIT filing.

Scope of qualifying individuals

It is worth-noting that, unlike the IIT preferential treatment for talents of other regions (e.g., the Guangdong-Hong Kong-Macao Greater Bay Area) which only apply to overseas talents, the IIT preferential treatment for Hainan FTP applies to both domestic and overseas talents.



Uncertainties to be further clarified

From implementation perspectives, the following uncertainties may need to be further clarified:

- ▶ According to Circular 32, the IIT preferential treatment shall apply to the abovementioned income that are derived from Hainan FTP. However, neither Circular 32 nor the Provisional Measures address the treatment of income derived outside of Hainan FTP. For example, if a qualified individual works in a Hainan company and receives consultation fee from a domestic company (i.e., remuneration for personal services) in Guangdong, as they will be consolidated in the annual IIT filing, how would the exemption be applied is silent at the moment.
- ▶ According to the Provisional Measures, a qualified talent should work in Hainan FTP. However, it is not clear on the measures in tracking the physical presence of the individuals in Hainan. Relevant taxpayers if working in and out of the FTP should consider keeping well the documentation on supporting their physical presence.

The IIT preferential treatment not only would reduce the IIT burden for eligible talents, it will also potentially reduce human capital costs of qualifying employers. Both the individuals and employers are encouraged to read Circular 32 and the Provisional Measures and assess whether it make sense to have a presence in the area. If in doubt, consultation with professionals are always recommended.

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

<http://www.hainan.gov.cn/hainan/szfwj/202008/6bed34c38df74affa929c4f78292fc9c.shtml>

You can click this link to access the full content of Circular 32:

http://szs.mof.gov.cn/zhengcefabu/202006/t20200630_3540853.htm

▶ **Public notice (PN) regarding certain matters related to Resource Tax (RT) collection and administration (STA PN [2020] No. 14)**

Synopsis

In order to regulate RT collection and administration, the State Taxation Administration (STA) released STA PN [2020] No. 14 ("PN 14") on 28 August 2020 to clarify certain matters related to the collection and administration of RT.

Key features of PN 14 are as follows:

- ▶ Where taxpayers purchase raw ore and mix with self-mined raw ore for sale or purchase ore dressing products and mix with self-produced ore dressing products for sale, the amount of purchased raw ore or ore dressing products can be deducted when calculating the taxable sales amount.
- ▶ Where taxpayers purchase raw ore to mix with self-mined raw ore for processing into ore dressing products for sale, the deductible amount shall be calculated according to the following method to determine the taxable sales amount:

Amount of purchased taxable products allowed to be deducted = Amount of purchased raw ore x (Applicable RT rate for raw ore in the region ÷ Applicable RT rate for ore dressing products in the region)

In case the deductible amount cannot be determined in accordance with the above method, competent tax authorities shall determine other reasonable methods for the calculation.

- ▶ Taxpayers should file the RT Return (see attachment of PN 14) to declare RT.
- ▶ Unless otherwise specified, the principles of "self-determination", "declare to enjoy", and "retention of relevant materials for future reference" shall be implemented for taxpayers to enjoy the preferential RT policies. However, taxpayers shall bear the legal responsibility for authenticity and legality of the materials they retained.

PN 14 became effective on 1 September 2020. Relevant taxpayers are encouraged to make reference to PN 14 for greater details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 14:

<http://www.chinatax.gov.cn/chinatax/n364/c5156066/content.html>

Business circular

- ▶ **Notice regarding enhancing the information sharing between the national online administration, approval and supervision platform for investment projects and the national unified application and approval system for environmental assessment (Fagaibantouzi [2020] No. 624)**

Synopsis

To improve the efficiency of investment approval, on 19 August 2020, the General Office of the National Development and Reform Commission and the General Office of the Ministry of Ecology and Environment jointly released Fagaibantouzi [2020] No. 624 ("Circular 624") to enhance the information sharing between the national online administration, approval and supervision platform for investment projects (hereinafter referred to as the "investment platform") and the national unified application and approval system for environmental assessment (hereinafter referred to as the "environmental assessment system").

Detailed requirements proposed in Circular 624 are as follows:

- ▶ The interconnection and centralized exchange between the investment platform and environmental assessment system shall be implemented at country level.
- ▶ The approval data for environmental assessment shall be shared to relevant local departments via the investment platform based on their needs.
- ▶ The filing burden of project units shall be reduced by utilizing the investment platform.
- ▶ The comprehensive management departments of the investment platform shall provide support for data sharing.
- ▶ The coordination between departments shall be enhanced.

Circular 624 also specified the schedule for information sharing between investment platform and environmental assessment system. Relevant parties are encouraged to read Circular 624 for more details.

You can click this link to access the full content of Circular 624:

https://www.ndrc.gov.cn/xwdt/tzgg/202008/t20200824_1236682_ext.html

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

- ▶ **PN regarding several automotive-related catalogs including the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (18th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (34th Batch)", etc. (MIIT PN [2020] No. 36)**
<http://www.miit.gov.cn/n1146290/n1146402/n1146440/c8060963/content.html>
- ▶ **PN regarding cancellation of 21 certification materials for electric power business license and electric power facilities installation (repair & test) license (NEA PN [2020] No. 3)**
http://zfxgk.nea.gov.cn/2020-08/10/c_139316777.htm
- ▶ **Public opinions consultation on the "Guiding Opinions on Establishing and Improving the Outpatient Assistance Mechanism of Employees' Basic Medical Insurance (Discussion Draft)**
http://www.nhsa.gov.cn/art/2020/8/26/art_48_3418.html
- ▶ **Administrative Regulations on Business Licensing for General Aviation (MOT Order [2020] No. 18)**
http://xxgk.mot.gov.cn/2020/jigou/fqs/202008/t20200826_3456720.html
- ▶ **PN regarding the commencement of the 2020 random inspection on the import and export commodities that are not subject to statutory inspection (GAC PN [2020] No. 95)**
<http://www.customs.gov.cn/customs/302249/2480148/3252962/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

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

Ho Sing Mak (China South)

+86 755 25028289
Ho-Sing.Mak@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

About EY

EY is a global leader in assurance, tax, strategy, transaction and consulting services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2020 Ernst & Young, China
All Rights Reserved.

APAC no. 03010953
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

Follow us on WeChat

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

