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# China Tax Center

# China Tax &

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# 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

- ▶ **Approval on the work plan of further opening up the service sector in Beijing and building a national comprehensive demonstration zone for expanding the open-up of service sector (Guohan [2020] No. 123)**

### Synopsis

On 28 August 2020, the State Council released Guohan [2020] No. 123 ("Circular 123") to approve the work plan of further opening up the service sector in Beijing and building a national comprehensive demonstration zone for expanding the open-up of service sector (hereinafter referred to as the "Plan").

The following goals are set out in the Plan:

- ▶ By 2025, Beijing shall provide a stronger demonstration and guidance for the opening-up and innovative development of the national service sector;
- ▶ By 2030, the demonstration zone is expected to achieve facilitation in terms of trade, investment, cross-border flow of capital, employment of talents, transportation, as well as the safe and orderly flow of data.

To achieve the goals, various measures have been set out in the Plan from both tax and commercial perspectives. Among these, the following measures are worth-noting:

### **Tax-related measures**

- ▶ A Corporate Income Tax (CIT) preferential treatment for shareholders of venture capital enterprises shall be implemented in Zhongguancun Science Park on a pilot basis. To be specific, during the pilot, qualifying venture capital enterprises (corporates) can be exempt from CIT for the portion of profits shared by individual shareholders according to their shareholding ratio at the year end. The criteria for eligible venture capital enterprises may involve the period of shareholding as the Plan mentions that long-term investments shall be encouraged. Dividends derived by the individual shareholders shall then be subject to Individual Income Tax only according to the prevailing tax rules. This will substantially reduce tax cost for individual investors.
- ▶ An enterprise in Beijing that meets all of the following criteria shall be eligible for a fast track once it lodges an application for the recognition of high-and-new technology enterprise (HNTE) status:
  - ▶ The enterprise is engaged in manufacturing or research and development (R&D) of integrated circuit, artificial intelligence, biomedicine or critical materials, etc. for at least a year; and
  - ▶ The R&D expenses incurred by the enterprise domestically accounts for at least 50% of the total R&D expenses.

In this respect, an eligible enterprise in Beijing may not need to go through the normal processes for recognition of HNTEs (e.g., experts' evaluation and publicity of enterprises to be recognized as HNTEs).

- ▶ According to the prevailing Caishui [2015] No. 116 ("Circular 116", i.e., Notice regarding expanding certain pilot tax policies of National Innovation Demonstration Zones on a nationwide basis), from 1 October 2015, gains derived by a resident enterprise from transfer of the right to use non-exclusive licenses of qualified technologies for at least five years at an amount not exceeding RMB5 million, shall be exempt from CIT. For gains exceeding RMB5 million, the enterprise shall be subject to CIT at a 50% reduction for the exceeding portion. According to the Plan, a pilot shall be implemented in Zhongguancun Science Park to raise the abovementioned threshold from RMB5 million to RMB20 million, in the meantime, the scope of technologies as well as the relevant criteria shall be further relaxed. (Please refer to CTIE2015043 for details of Circular 116.)

### **Business related measures**

- ▶ Establish a platform for private equity funds to trade their shares publicly and expand channels for the exit of private equity and venture capital.
- ▶ Gradually achieve complete convertibility under foreign loans accounts of non-finance enterprises
- ▶ Encourage the implementation of "negative list for restricted items plus positive list for encouraged items" for sectors of hydrogen energy, photovoltaic, advanced energy storage, energy-related internet business in certain industrial parks/zones.
- ▶ Encourage foreign investment in general aviation sector in Beijing International Cooperation Industrial Park (Sino-German Park) (北京中德国际合作产业园), Beijing International Cooperation Industrial Park (Sino-Japan Park) (北京中日国际合作产业园). Qualifying foreign investment enterprises engaging in general aviation sector may engage in emergency transport services.
- ▶ A pilot of domestic and foreign currencies integration shall be implemented in certain areas of Beijing. Further, a pilot facilitating foreign exchange receipts and payments under capital accounts shall be implemented in Beijing, and the relevant government authorities shall explore the possibility of a pilot cross-border capital pool with integration of domestic and foreign currencies.
- ▶ Facilitate the exit and entry of high-end foreign talents, as well as purchase of foreign currencies and remittance of their legitimate domestic revenue under current accounts. In addition, the approval processes for work permit and resident permit for expatriates shall be further optimized.
- ▶ Expatriates with permanent resident status of China may establish or invest domestic-funded enterprises.

The detailed implementation rules shall be further stipulated and launched by the relevant government authorities, relevant parties can consider planning ahead on any matters discussed as quite a lot of details were provided in the document. 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 123:

[http://www.gov.cn/zhengce/content/2020-09/07/content\\_5541291.htm](http://www.gov.cn/zhengce/content/2020-09/07/content_5541291.htm)

You can click this link to access the full content of Circular 116:

<http://www.chinatax.gov.cn/n810341/n810755/c1870682/content.html>

► **Notice regarding public opinion consultation on the “Decision of the State Taxation Administration (STA) on the Revisions to the ‘Measures for the Trial of Major Tax Cases (Discussion Draft)’”**

### Synopsis

In order to continuously optimize tax law enforcement and the tax business environment, and effectively protect the legitimate rights and interests of tax administration counterparts, the STA revised the Measures for the Trial of Major Tax Cases (hereinafter referred to as the “Measures”, issued via STA Order [2014] No. 34) and released the “Decision of the STA on the Revisions to the ‘Measures for the Trial of Major Tax Cases (Discussion Draft)” (hereinafter referred to as the “Discussion Draft”) to seek public opinion. (Please refer to CTIE2014051 for details of the Measures.)

Key revisions to the Measures are as follows:

- In order to implement the Guiding Opinions of the General Office of the State Council on the Full Promotion of the Law Enforcement Administration Publicity System, the Law Enforcement Process Recording System and the Legal Review System for Major Law Enforcement Decisions (hereinafter referred to as the “Guiding Opinions”, issued via Guobanfa [2018] No. 118), and to adapt to the situation after the reform of the state and local taxation collection and administration system, Articles 1, 3 and 4 of the Measures are revised accordingly.
- In order to further optimize the legal environment of taxation, cases involving fleeing (missing) enterprises or being filed for tax law violations will not be included in the scope of major tax cases for trial and instead, shall be transferred to the public security authorities for further handling according to relevant law. Relevant provisions are added to Article 11 of the Measures accordingly.
- The trial periods of major tax cases are further clarified. Relevant provisions are added to Articles 18 and 41 of the Measures accordingly.
- The attachment “Model Documents for Trial of Major Tax Cases” is deleted and shall be adjusted separately.

Relevant taxpayers are encouraged to express opinion on or before 10 October 2020 by logging onto the official websites of the Ministry of Justice of the People's Republic of China ([www.moj.gov.cn](http://www.moj.gov.cn) or [www.chinalaw.gov.cn](http://www.chinalaw.gov.cn)), STA ([www.chinatax.gov.cn](http://www.chinatax.gov.cn)) or by sending emails to [shuiwuzqyj@163.com](mailto:shuiwuzqyj@163.com).

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

<http://www.chinatax.gov.cn/chinatax/n810356/n810961/c5156440/content.html>

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

<http://www.chinatax.gov.cn/n810341/n810755/c1414741/content.html>

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

[http://www.chinalaw.gov.cn/Department/content/2019-01/03/609\\_225936.html](http://www.chinalaw.gov.cn/Department/content/2019-01/03/609_225936.html)

## **Business circular**

- ▶ **Notice regarding deepening the business system reform and further reducing the burden on enterprises to stimulate vitality (Guobanfa [2020] No. 29)**

### **Synopsis**

To build a market-oriented, law-based and international business environment, the General Office of the State Council released Guobanfa [2020] No. 29 ("Circular 29") on 1 September 2020 to deepen the business system reform and further reduce the burden on enterprises and stimulate their vitality.

Circular 29 covers four aspects with 12 reform measures. Key features of Circular 29 are as follows:

#### **Promote the online handling for the whole process of enterprises' establishment**

- ▶ To fully implement one-stop online government service for establishment of enterprises.
- ▶ To continuously promote service ability on establishment of enterprises.

#### **Promote the reform on registration system to derive new breakthroughs**

- ▶ To strengthen reform on registration of residence and business premises.
- ▶ To improve intelligence level of the verification function of self-filing system for the name of enterprises.

#### **Simplify the criteria of enterprises' production, operation and approval**

- ▶ To promote reform on manufacturing licensing system for industrial products.
- ▶ To improve certification system for compulsory products.
- ▶ To deepen reform on qualification recognition for inspection and testing institutions.
- ▶ To accelerate cultivation of forerunners on enterprise standards.

#### **The interim and post-event supervisions shall be enhanced**

- ▶ To enhance publishing enterprises' information.
- ▶ To complete punishment mechanism for unfaithful acts.
- ▶ To promote implementation of intelligent supervision.
- ▶ To regulate supervision behavior on the platform economy.

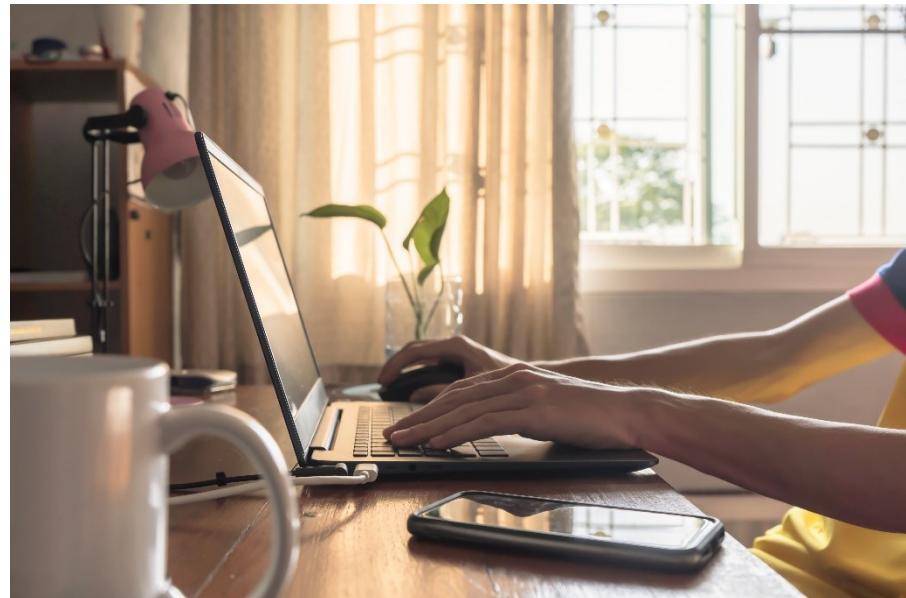
Relevant parties are encouraged to read Circular 29 for more details.

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

[http://www.gov.cn/zhengce/content/2020-09/10/content\\_5542282.htm?gov](http://www.gov.cn/zhengce/content/2020-09/10/content_5542282.htm?gov)

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

- ▶ **Opinions on promoting the development of facilities for air freight delivery (Fagaijichu [2020] No. 1319)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202009/t20200904\\_1237640.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202009/t20200904_1237640.html)
- ▶ **Public notice (PN) regarding implementing the "Implementation Opinions on Supporting Selling Export Products in the Domestic Market" (SAMR PN [2020] No. 39)**  
[http://gkml.samr.gov.cn/nsjg/rzjgs/202009/t20200908\\_321524.html](http://gkml.samr.gov.cn/nsjg/rzjgs/202009/t20200908_321524.html)
- ▶ **Notice regarding the "Implementation Plan for Promoting the Deep Integration and Innovative Development of the Logistics Industry and the Manufacturing Industry" (Fagaijingmao [2020] No. 1315)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz/202009/t20200909\\_1237841.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202009/t20200909_1237841.html)
- ▶ **Notice regarding certain matters related to the investment scheme of insurance funds taking part in debt-to-equity swaps (Yinbaojianbanfa [2020] No. 82)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=927757&itemId=928&generaltype=0>
- ▶ **Notice regarding regulating the health management services of insurance companies (Yinbaojianbanfa [2020] No. 83)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=927766>
- ▶ **Guiding opinions on enhancing and regulating interim and post event supervisions (Jiaofafa [2020] No. 79)**  
[http://www.gov.cn/zhengce/zhengceku/2020-09/09/content\\_5541953.htm](http://www.gov.cn/zhengce/zhengceku/2020-09/09/content_5541953.htm)
- ▶ **PN regarding optimizing the methods of quality and safety supervision on imported goods (GAC PN [2020] No. 102)**  
<http://www.customs.gov.cn/customs/302249/2480148/3273895/index.html>



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