

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.

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Tax circular

- ▶ **Public notice (PN) regarding the tax rules on exported goods to return due to the force majeure in light of COVID-19 epidemic (MOF/GAC/STA PN [2020] No. 41)**

Synopsis

As approved by the State Council, on 2 November 2020, the Ministry of Finance (MOF), General Administration of Customs (GAC) and State Taxation Administration (STA) jointly released MOF/GAC/STA PN [2020] No. 41 ("PN 41"), announcing certain tax rules on exported goods to return due to the force majeure in light of COVID-19 epidemic.

Key features of PN 41 are as follows:

- ▶ Goods that are declared to export in the period from 1 January 2020 to 31 December 2020 and returned without undergoing any change within one year from the date of export due to force majeure in light of COVID-19 epidemic shall not be subject to import tariff and import-level Value-added Tax (VAT) and Consumption Tax (CT). The export tariff that have already been levied shall be refunded.
- ▶ Where the above-mentioned goods have enjoyed the export tax refund, the refunded/exempted VAT and CT shall be repaid in accordance with prevailing regulations.

- ▶ From the promulgation date of PN 41 (i.e., 2 November 2020), where the enterprises apply to Customs for formalities on levying no tax on import of the above-mentioned returned goods, they shall obtain corresponding certificates (i.e., tax repaid/non-tax refund) from competent tax authorities in advance.
- ▶ From 1 January 2020 to the promulgation date of PN 41 (i.e., 2 November 2020), import-level VAT and CT (that have not been declared for deduction) and import tariff for above-mentioned returned goods shall be refunded based on the application of enterprises. The consignee of imported goods shall complete the formalities on tax refunds by 30 June 2021.

PN 41 also stipulated the requirements on the certificates and formalities on returned goods. Relevant taxpayers are encouraged to read PN 41 for more details so as to leverage the preferential treatments. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 41:

http://www.gov.cn/zhengce/zhengceku/2020-11/03/content_5556993.htm

Business circulars

▶ **Notice regarding the proposals for the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives through the Year 2035**

Synopsis

On 29 October 2020, the Proposals for the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives through the Year 2035 (hereinafter referred to as the "Proposals") were adopted during the fifth plenary session of the 19th Central Committee of the Communist Party of China.

The Proposals set out a blueprint for China's development in the next 15 years. Among these, the tax and business-related contents highlighted in the Proposals include:

▶ Tax preferential treatments

Research and Development by enterprises shall be further encouraged with the implementation of tax preferential treatments for enterprises investing in basic research.

▶ Modern tax system

The local tax system and direct tax system shall be further improved by optimizing tax structure, adequately increasing the portion of direct taxes, as well as further deepening the reform of tax administration and collection.

▶ The registration-based initial public offering (IPO) system

The registration-based IPO system (instead of the approval-based IPO system) shall be fully implemented on a nationwide basis, a normalized delisting mechanism shall be established, and the proportion of direct financing shall be increased.

▶ Open-up economy at higher level

China shall further enhance the level of opening-up, promote trade and investment liberalization and facilitation, and strengthen the comprehensive competitiveness of foreign trade.

In addition, the management system for foreign investment in the form of offering national treatment pre-establishment plus a negative list shall be further improved to expand the opening-up of the service sector and protect the legitimate rights and interests of foreign companies.

▶ Pilot free trade zones

Pilot free trade zones shall be granted with greater decision-making power in reform. The Proposals specifically mentioned the construction of Hainan free trade port which is targeted to be built as a new highland of opening-up to the globe.

▶ RMB internationalization

According to the Proposals, China shall further promote internationalization of RMB in a steady and prudent manner.

We have issued a WeChat news article on 2 November 2020 (in Chinese only) regarding the 14th Five-Year Plan, 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. Businesses and investors are encouraged to read the full content of the Proposals for more details. 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 the Proposals:

http://www.gov.cn/zhengce/2020-11/03/content_5556991.htm

▶ **Decision on the revision of certain regulations (SAMR Order [2020] No. 31)**

Synopsis

On 23 October 2020, the State Administration for Market Regulation (SAMR) released SAMR Order [2020] No. 31 (hereinafter referred to as "Order 31") concerning the decision to revise some regulations covering consumer protection, intellectual property rights, online transactions, legal person registration and activity registration of foreign enterprises.

Some noteworthy revisions among them include:

Implementation Rules for the Administrative Regulations of the People's Republic of China (PRC) on the Registration of Enterprise Legal Persons

- ▶ In Article 2, the term "enterprises owned by the whole people, collectively owned enterprises, joint ventures, foreign investment enterprises established in the PRC (including Sino-foreign equity joint ventures, Sino-foreign cooperative enterprises, foreign-funded enterprises) and other enterprises that meet the requirements of enterprise legal person shall apply for registration of enterprise legal person in accordance with laws, regulations and relevant provisions of these rules" shall be amended to "enterprises owned by the whole people, collectively owned enterprises, joint ventures, foreign investment enterprises established in the PRC, and other enterprises that meet the requirements of enterprise legal person shall apply for registration of enterprise legal person in accordance with laws, regulations and relevant provisions of these rules".
- ▶ Remove Article 10, paragraph 3 of Article 16, Article 18, Article 19, Article 24, Article 27, Article 30, Article 32, Article 41, Article 43, Article 46, Article 48 and Article 66.

Administrative Measures for the Registration of Foreign (Region) Enterprises Engaging in Production and Operation Activities within the Territory of the PRC

- ▶ In Article 2, the term "administrative authorities for industry and commerce" shall be amended to "administrative authorities for market regulation".
- ▶ In Article 18, the term "State Administration for Industry and Commerce" shall be amended to "State Administration for Market Regulation".

Foreign investment enterprises are advised to read Order 31 for more details of the changes to the regulations and observe them accordingly. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Order 31:

http://gkml.samr.gov.cn/nsjg/fqs/202011/t20201102_322845.html

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

- ▶ **Notice regarding the "Work Plan for Expanding Domestic Demand and Promoting Consumption in the Near Future" (Fagaizonghe [2020] No. 1565)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz/202010/t20201029_1249273.html
- ▶ **Notice regarding the Development Plan for the New Energy Vehicle Industry (2021-2035) (Guobanfa [2020] No. 39)**
http://www.gov.cn/zhengce/content/2020-11/02/content_5556716.htm
- ▶ **Notice regarding the non-state crude oil import quota, application conditions and procedures of 2021 (MOFCOM PN [2020] No. 51)**
<http://www.mofcom.gov.cn/article/b/c/202011/20201103012535.shtml>
- ▶ **Notice regarding the fertilizers import quota, allocation rules and application procedures of 2021 (MOFCOM PN [2020] No. 52)**
<http://www.mofcom.gov.cn/article/b/c/202011/20201103012537.shtml>
- ▶ **Notice regarding several catalogs for vehicle-related preferential treatments including the "Catalog of Energy Saving & New Energy Vehicles Eligible for Preferential Vehicle and Vessel Tax Policies (20th Batch)", "Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (36th Batch)", etc. (MIIT PN [2020] No. 42)**
https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2020/art_3a62c808cfc843ac8c107cc8ead9951c.html

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