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# 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.

## Business circulars

### ▶ **State Council's executive meeting announcing the decisions to step up implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement**

#### Synopsis

On 1 December 2020, the Premier Li Keqiang presided over a State Council's executive meeting (hereinafter referred to as the "meeting"), in which the decisions to step up implementation of the RCEP Agreement were announced.

During the meeting, Premier Li Keqiang urged the relevant government departments to clarify assignments and timetable related to the implementation of RCEP. Key features are as follows:

- ▶ Strengthen the coordination between government departments and accelerate domestic ratification procedures to promote wider, easier access to trade in goods, trade in services, investment, as well as to facilitate the cross-border exit/entry of natural persons. In the meantime, China will implement higher standards in intellectual property protection, trade remedies, e-commerce, government procurement, and economic and technological cooperation, as well as the growth of small and medium-sized enterprises.

- ▶ Upon the enforcement of RCEP, tariff shall be eliminated for up to 90% of goods traded in member countries. In this respect, the relevant government authorities should work on tariff concessions, simplification of customs procedures, necessary technical preparations for rules on origin, as well as harmonization and mutual recognition of product standards. Express customs clearance (possibly within six hours) shall be available for express delivery and perishable goods.
- ▶ Further open-up service sectors in research and development (R&D), management consultation, manufacturing related services, elderly care, professional design and construction, etc. according to the RCEP.
- ▶ Implement the foreign investment negative list and ensure no further restrictions can be imposed;
- ▶ To fulfill the commitment in an international trade agreement, a full range intellectual property right protection shall be implemented on copyrights, trademarks, geographical indications, patents and genetic resources. On the other hand, regulations related to electronic authentication and signatures, protection of online personal information, cybersecurity and cross-border transmission of electronic information shall be implemented.
- ▶ Trainings, and promotional campaigns shall be arranged for business associations, enterprises, etc. for the new rules involved in the RCEP.

We have issued WeChat news articles (in Chinese only) on 1 December 2020 and 11 December 2020 respectively regarding the conclusion of RCEP and the implementation of RCEP by China government in details, 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 articles. We have also published an issue of China Tax & Investment News (bilingual) on 30 November 2020 regarding RCEP.

You can click this link to access the full content of official news regarding the meeting:

[http://www.gov.cn/premier/2020-12/02/content\\_5566490.htm](http://www.gov.cn/premier/2020-12/02/content_5566490.htm)

- ▶ **Notice issued by the General Office of the People's Government of Shanghai regarding the "Regulations of Shanghai Municipality on Encouraging the Establishment and Development of Foreign-funded R&D Centers" (Hufubangui [2020] No. 15)**

### **Synopsis**

In order to further expand opening-up and encourage foreign investors to establish R&D centers in Shanghai, on 2 November 2020, the General Office of the People's Government of Shanghai issued the "Regulations of Shanghai Municipality on Encouraging the Establishment and Development of Foreign-funded R&D Centers" (hereinafter referred to as the "Regulations") via Hufubangui [2020] No.15.

Key features of the Regulations are as follows:

### **Definitions**

#### *Foreign-funded R&D Center*

A Foreign-funded R&D Center is an institution set up by a foreign investor to engage in the research, development and experimental development (including intermediate experiments for R&D activities) in natural science and related scientific and technological fields, including basic research, applied research, product development, etc.

### Global R&D Center

A Global R&D Center is an institution with an exclusive R&D technology platform that can undertake key steps and majority of the process of its global R&D projects. The progress of local R&D projects is synchronized with global activities.

### Foreign-funded Open Innovation Platform

A Foreign-funded Open Innovation Platform is an innovative form of foreign-funded R&D centers that promotes projects cooperation with small and medium-sized enterprises (SMEs) and innovation teams to achieve collaborative innovation by providing facilities, equipment, R&D sites and professional guidance and by leveraging the technology, talents, capital, data and other resources of the platform.

#### **Conditions for recognition**

To be recognized as a Foreign-funded R&D Center, an institution shall meet the following conditions:

- ▶ The institution shall be a foreign investment enterprise established in Shanghai according to law.
- ▶ The institution shall have explicit R&D areas, specific projects, fixed premises, instruments and equipment as well as other necessary conditions for scientific research.
- ▶ The cumulative R&D investment shall be no less than USD2 million.

Besides the aforementioned conditions, to be recognized as a Global R&D Center, the institution shall also meet the following conditions:

- ▶ It shall be an R&D center authorized by the parent company as its highest-level R&D center globally and undertakes global R&D projects.
- ▶ The cumulative R&D investment shall be no less than USD10 million and the R&D investment in the previous year accounted for at least 10% of the parent company's global R&D investment.

To be recognized as a Foreign-funded Open Innovation Platform, an institution shall meet the following conditions:

- ▶ Total investment shall be no less than USD2 million.
- ▶ The area of the R&D site shall be at least 1,000 square meters.
- ▶ Total number of R&D and innovation projects signed to settle shall be no less than 10.
- ▶ The institution shall have facilities and equipment necessary for collaborative innovation, international expert guidance, cutting-edge technology, talents and other resources.

#### **Funding support**

Qualified Global R&D Centers are entitled to funding support for establishment and rent in accordance with the provisions of special funds for the development of regional headquarters.

#### **Tax support**

In accordance with relevant national regulations, imports of supplies by qualified Foreign-funded R&D centers for scientific technological R&D are exempt from import-level tariff, Value-added Tax (VAT) and Consumption Tax; and VAT levied on purchases of domestically made equipment shall be fully refunded.

## Government support

Based on actual conditions, district governments, key functional zones and development zones shall formulate policies and measures to support the development of Foreign-funded R&D Centers and create a business environment that will be conducive to the development of Foreign-funded R&D Centers.

## Investors from Hong Kong, Macao and Taiwan

The provisions of the Regulations shall also apply to the establishment of Foreign-funded R&D Centers in Shanghai by investors from Hong Kong, Macao and Taiwan.

The Regulations is valid from 1 December 2020 to 30 November 2025. Foreign investors are advised to read the Regulations for more details of recognition application, benefits and facilitation measures. If in doubt, consultations with professionals are always recommended.

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

<http://www.shanghai.gov.cn/nw12344/20201124/585e07c468d24a2eb8adf9ca1420ea5d.html>

## ▶ **Notice issued by the State Administration of Foreign Exchange Hainan Branch regarding the pilot reform of the registration of domestic companies in Hainan Free Trade Port for overseas listing (Qionghuifa [2020] No. 21)**

### Synopsis

According to Huifa [2014] No. 54 ("Circular 54", i.e., Notice regarding certain issues related to foreign exchange administration for overseas listing), the overseas listing registration of domestic companies shall be conducted with the foreign exchange authorities at the local level.

To further promote the facilitation on foreign exchange registration of domestic companies registered in Hainan Free Trade Port (hereinafter referred to as the "Hainan companies") for overseas listing, on 26 November 2020, the State Administration of Foreign Exchange Hainan Branch (hereinafter referred to as "Hainan SAFE") released the Administrative Measures on the Pilot of Registration of Domestic Companies in Hainan Free Trade Port for Overseas Listing (hereinafter referred to as the "Administrative Measures") via Qionghuifa [2020] No. 21.

The Administrative Measures consist of 13 articles and the key one include:

- ▶ The registration, renewal and de-registration of Hainan companies for overseas listing may be directly conducted at the banks under the jurisdiction of Hainan SAFE.
- ▶ Where enterprises conduct fund remittance and transfer for the initial public offering, issuance of additional stocks and buybacks, they shall open a special foreign exchange account for overseas listing with banks by presenting the overseas listing business registration documents.
- ▶ Where the domestic shareholders intend to increase or decrease their holdings of overseas shares of Hainan companies listed overseas, they should complete the renewal registration for the increased or decreased shares with local foreign exchange administration within 20 working days before such event.
- ▶ In principle, the funds raised by Hainan companies from overseas listing as well as the proceeds derived from selling shares of overseas listed companies by domestic shareholders shall be transferred back to domestic market.
- ▶ The relevant registration materials shall be kept for records by banks and the relevant Hainan companies for five years.

The Administrative Measures shall become effective on its promulgation date (i.e., 26 November 2020). Relevant parties are encouraged to read Administrative Measures for more details. If in doubt, consultations with professionals are always helpful.

You can click this link to access the full content of Circular 54:

<http://www.safe.gov.cn/safe/2014/1231/5581.html>

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

<http://www.safe.gov.cn/hainan/2020/1127/1324.html>

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

- ▶ **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 (21th Batch)”, “Catalog of New Energy Vehicles Eligible for Vehicle Purchase Tax Exemption (37th Batch)”, etc. (MIIT PN [2020] No. 47)**  
[https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2020/art\\_165380730c8b440bababf4e618d9f769.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/gg/art/2020/art_165380730c8b440bababf4e618d9f769.html)
- ▶ **Public notice (PN) regarding the second batch of enterprises eligible for the VAT exemption policy for sponsors of Beijing 2022 Winter Olympic Games, Winter Paralympic Games and Test Events (MOF/STA PN [2020] No. 42)**  
[http://szs.mof.gov.cn/zhengcefabu/202011/t20201130\\_3631643.htm](http://szs.mof.gov.cn/zhengcefabu/202011/t20201130_3631643.htm)
- ▶ **Notice regarding the “List of Reform Measures and Experience Methods of National Ecological Civilization Experimental Zone to Be Promoted” (Fagaihuanzi [2020] No. 1793)**  
[https://www.ndrc.gov.cn/xxgk/zcfb/tz//202011/t20201127\\_1251538.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz//202011/t20201127_1251538.html)
- ▶ **Opinions on deepening “Internet plus tourism” to promote the high-quality development of the tourism industry (Wenlvziyuanfa [2020] No. 81)**  
[http://www.gov.cn/zhengce/zhengceku/2020-11/30/content\\_5566046.htm](http://www.gov.cn/zhengce/zhengceku/2020-11/30/content_5566046.htm)
- ▶ **PN regarding revising the regulatory documents related to the reform of “Separating Permits From Business Licenses” (PBOC PN [2020] No. 15)**  
<http://www.pbc.gov.cn/tiaofasi/144941/3581332/4134592/index.html>
- ▶ **Notice regarding public opinion consultation on the “Suggested Revisions to the Implementation Rules of the Patent Law (Discussion Draft)”**  
[https://www.cnipa.gov.cn/art/2020/11/27/art\\_75\\_155294.html](https://www.cnipa.gov.cn/art/2020/11/27/art_75_155294.html)
- ▶ **Notice regarding promoting consumer finance companies and automotive finance companies to enhance their capacity of sustainable development and improving the quality and efficiency of their financial services (Yiinbaojianbanfa [2020] No. 104)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=945262>
- ▶ **PN regarding lists of commercial cryptography under import licensing and export control and related administrative measures (MOFCOM/SCA/GAC PN [2020] No. 63)**  
<http://www.mofcom.gov.cn/article/b/c/202012/20201203019733.shtml>
- ▶ **Measures for the Assessment of Systemically Important Banks (Yinfa [2020] No. 289)**  
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=946779>
- ▶ **PN regarding cancelling the export commodities inspection for certain medical products (GAC PN [2020] No. 124)**  
<http://www.customs.gov.cn/customs/302249/2480148/3428927/index.html>
- ▶ **PN regarding the volume of trigger levels of agricultural products imported from New Zealand in 2021 (GAC PN [2020] No. 123)**  
<http://www.customs.gov.cn/customs/302249/2480148/3428470/index.html>

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