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**NEWSLETTER**

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LATEST NEWS FROM CHINA

## Newsletter

Latest news from China and Hong Kong  
Issue n.10 – November 2017

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## 1. SAT Simplifies Procedures for Handling VAT and Consumption Tax Issues

News Category: TAX

SAT Announcement No. 36 [2017]

Title: *Announcement of the State Administration of Taxation on Further Optimizing the Procedures for Handling Affairs Related to Value-added Tax and Consumption Tax*

Promulgator: SAT

Promulgation Date: October 13<sup>th</sup>, 2017

Effective Date: October 13<sup>th</sup>, 2017

According to SAT Announcement n.36 provisions:

- Starting from January 1, 2018, issues related to the continuation to deduct taxes indicated on the overdue VAT deduction vouchers must be subject to the approval granted by provincial level SAT offices;

- From November 1, 2017 if a taxpayer applies on a regular basis for paying both VAT and consumption tax, it only needs to specify the regular payment in the application materials prepared for this purpose, instead of submitting separate application materials for VAT and consumption tax;

- Some amendments to the [Announcement of the State Administration of Taxation on Issues concerning the Taxation Credit by Overdue Value-added Tax Deduction Vouchers](#) are introduced and to its appendix (Administrative Measures for Overdue Value-added Tax Deduction Vouchers), effective as of January 1, 2018.

Furthermore, where the general VAT taxpayers have had relevant deeds but the VAT deduction voucher have not been verified, confirmed and audited within the required time limits because of objective reasons, they shall be allowed to continue to deduct the amount of tax in question, providing that the vouchers are considered conformable.

**You can read the complete news at:**

[http://www.szgs.gov.cn/art/2017/10/26/art\\_303\\_55238.html](http://www.szgs.gov.cn/art/2017/10/26/art_303_55238.html)

## 2. MOF and SAT Clarifications on Supporting Tax Policies for Small Business Fundraising

News Category: TAX

Cai Shui No. 77 [2017]

Title: *Circular of the Ministry of Finance and the State Administration of Taxation on Relevant Tax Policies in Support of Fundraising of Small and Micro Enterprises*

Promulgator: SAT, MOF

Promulgation Date: October 26<sup>th</sup>, 2017

Effective Date: October 26<sup>th</sup>, 2017

Starting from December 1, 2017 until December 31, 2019, the **interest income obtained by financial institutions from the small amount loans granted to farmers, small businesses, micro enterprises and individually owned businesses shall be exempted from VAT.**

Above said institutions shall have the relevant certifications of tax-exemption and documentation saved for future reference use, calculate separately the interest income derived from the small amount loans which satisfy the tax-exemption requirements, and file the tax return with competent tax authorities according to existing rules. In case of failing to calculate such interest income separately, they will not be exempted from VAT.

At the same time, the Circular also clarifies that starting from January 1, 2018 to December 31, 2020, **loan contracts** signed between financial institutions and small businesses or micro enterprises are not subject to the stamp tax.

**You can read the complete news at:**

<http://www.chinatax.gov.cn/n810341/n810755/c2897221/content.html>

### 3. State Council Finally Cancels Business Tax and Adjusts the Levying Scope of VAT

News Category: TAX

Title: *Decision of the State Council on Abolishing the Interim Regulations of the People's Republic of China on Business Tax and Amending the Interim Regulations of the People's Republic of China on Value-added Tax (Draft)*

Promulgator: State Council

Promulgation Date: October 30<sup>th</sup>, 2017

Effective Date: October 30<sup>th</sup>, 2017

The Decision (Draft) was adopted at the State Council executive meeting presided by Premier Li Keqiang on October 30, in order to promote the legalization of achievements made during the reform of replacing the business tax (BT) with value-added tax (VAT).

During the meeting it was clarified that **BT has been cancelled in all aspects, and that the levying scope of VAT will be adjusted and improved**, with the entities and individuals that provide services or transfer intangible assets and real property being identified as VAT taxpayers, and specifying the applicable tax rate for these taxpayers.

The policies issued for some industries during the transition period will not change. Where the State Council issues separate rules for affairs regarding VAT payment made by taxpayers or it agrees to have competent finance or tax authorities formulate separate rules for such affairs, these separate rules shall apply.

**You can read the complete news at:**

[http://www.gov.cn/xinwen/2017-11/01/content\\_5235931.htm](http://www.gov.cn/xinwen/2017-11/01/content_5235931.htm)

### 4. GAC Adjustments to Supervision Period for Imported Goods

News Category: Customs

GAC Announcement No. 51 [2017]

Title: *Announcement of the General Administration of Customs [2017] No.51 -- Announcement on Adjusting the Supervision Period for Imported Goods with Tariff Reduction and Exemption*

Promulgator: GAC

Promulgation Date: October 24<sup>th</sup>, 2017

Effective Date: October 24<sup>th</sup>, 2017

The Announcement states that the GAC has decided to adjust the supervision period for goods that are imported with tariff reduced or exempted, aiming to support technological transformation of enterprises, fastening equipment replacement and pushing for the industrial upgrading.

The length of the supervision period for imported goods that enjoy exemption or reduction of tariff will be: 8 years for vessels and airplanes, 6 years for motor vehicles, 3 years for other types of imported goods. Moreover, according to the Announcement the supervision period shall run from the date when the imported goods are released by the customs authorities.

**You can read the complete news at:**

<http://www.customs.gov.cn/customs/302249/302266/302269/737555/index.html>

## 5. More Efficient Customs Clearance with Streamlined Inspection and Quarantine Formalities

News Category: Customs

AQSIQ Announcement No. 89 [2017]

Title: *Announcement of the General Administration of Quality Supervision, Inspection and Quarantine on Streamlining Inspection and Quarantine Formalities to Enhance Customs Clearance Efficiency*

Promulgator: AQSIQ

Promulgation Date: October 24<sup>th</sup>, 2017

Effective Date: November 1<sup>st</sup>, 2017

According to the Announcement, when handling formalities for applying for customs inspection and quarantine, the inspection candidate shall provide the assurance of conformity issued either by the consigner of outbound goods or by the consignee of inbound goods. The **assurance of conformity** should cover the commitment of observing laws, guarantee for conformity, responsibilities for quality safety, and voluntary measures to recall products in question when problems in connection with products arise.

Furthermore, the Announcement specifies that goods imported into China for the first time and imported goods required to have inspection and quarantine certificates should undergo **tests for the inspection and quarantine purposes on the spot and/or in the laboratories** in accordance with applicable provisions.

The examination of documents includes and is not limited to: review of the registration, certification, approval, evaluation, verification, and assurance of conformity, and other processes to ascertain the conformity.

The Announcement also stipulates that, **when goods do not pass inspections and quarantine tests** or there are proofs that these goods are associated with higher level of risks, or the consignee, consigner or inspection applicant is classified as Level C or below in terms of its exit-entry inspection and quarantine credit, **the sampling percentage could be increased up to 100%** against such party, after the risk assessment.

You can read the complete news at:

[http://www.aqsiq.gov.cn/xxgk\\_13386/jlqg\\_12538/ziqg/2017/201710/t20171024\\_500284.htm](http://www.aqsiq.gov.cn/xxgk_13386/jlqg_12538/ziqg/2017/201710/t20171024_500284.htm)

## 6. Imported Medical Devices: CFDA Regulates Chinese Names of Enterprises

News Category: Corporate / Legal

CFDA Announcement No.131 [2017]

Title: *Announcement of the China Food and Drug Administration on Requiring Parties Applying for Registering and Filing the Record for Imported Medical Devices to Use Their Chinese Names*

Promulgator: CFDA

Promulgation Date: October 31<sup>st</sup>, 2017

Effective Date: November 31<sup>st</sup>, 2017

According to the Announcement the registrant parties applying for registering imported medical devices, and the enterprises filing a record, shall have their **Chinese names corresponding precisely to their original names in foreign languages**, without additions or omissions. The Chinese name should not be changed if the original name in foreign language stays unchanged.

The Announcement also provides instructions on how the Chinese corporate name should not have information or characters that may infringe the State or the general public, lead to potential fraud or misunderstanding among the public, or that are forbidden under other laws and regulations.

For those enterprises that have handled the registration or record-filing, they can apply for updating the registered items or changing information on the record to add their own Chinese corporate name.

Enterprises shall provide their Chinese corporate name when applying for making or renewing a registration, changing the licensed items, or filing a record, starting from July 1, 2018.

You can read the complete news at:

<http://www.sda.gov.cn/WS01/CL0087/216229.html>

## 7. Green Development: China to Promote the Construction of Resource Recycling Bases

News Category: Corporate / Legal  
Fa Gai Ban Huan Zi No. 1778 [2017]  
Title: *Guiding Opinions on Advancing the Construction of Resource Recycling Bases*  
Promulgator: NDRC; MOF; Ministry of Housing and Urban-Rural Development  
Promulgation Date: October 29<sup>th</sup>, 2017  
Effective Date: October 29<sup>th</sup>, 2017

According to the recently issued Opinions, by 2020 about **50 bases** will be constructed across China for the recycle of resources, with a rise by 30 per cent of recycling waste transformation into useful resources. To safeguard the green and cyclic development of cities, green approaches to deal with cities' wastes will also be created.

To achieve these goals, the Opinions determine **six major tasks**, such as "making efforts to select sites where bases will be located and making planning for this purpose as a whole" and "constructing together and sharing public service facilities and working together to dispose wastes".

Furthermore, the Opinions state that efforts shall be made to effectively design and plan base construction projects and have certain number of project reserves, prioritize the joint construction and sharing of certain infrastructure, such as roads and pipelines, and facilities for relevant public services, including the water and power supplies and pollutant prevention and treatment.

Moreover, following a recent national trend, **actions will be taken to promote Public-private partnership modes (PPP) and the environmental pollution treatment by third parties**, introduce specialized investment subjects and operation service providers, ease the setting up of the mechanism of allocating benefits between all operating subjects, and safeguard by category the operation returns of investment, in order to make these bases run efficiently and constantly.

**You can read the complete news at:**

[http://www.ndrc.gov.cn/gzdt/201711/t20171102\\_866140.html](http://www.ndrc.gov.cn/gzdt/201711/t20171102_866140.html)

## 8. SAIC Launches Nationwide Plan against Trademark Infringements

News Category: Corporate / Legal  
Ban Zi No. 165 [2017]  
Title: *Special Action Plan for Cracking down on Trademark Infringements and Looking into Their Sources*  
Promulgator: SAIC  
Promulgation Date: September 20<sup>th</sup>, 2017  
Effective Date: September 20<sup>th</sup>, 2017

The action Plan announces the launch of a **nationwide campaign against trademark infringement from September 2017 until February 2018**, focusing on eradicating the manufacture and sale of trademark infringing commodities and the fabrication of labels of registered trademarks. It calls for cooperating with right owners, industry associations, e-commerce platforms and other related parties, to counter all illegal practices at different stages throughout the complete chain, including the production and sale of commodities that infringe upon other trademarks and the production of labels for registered trademarks.

The Plan also states that materials containing clues collected and reported by all places shall be detailed and comprehensive, the ownership of trademarks held by relevant parties shall be clear, the information on alleged infringers comprehensive and the details on the place where the alleged infringement takes place and the alleged infringer's use of marks in question shall be complete as well.

**You can read the complete news at:**

[http://www.saic.gov.cn/zw/wjfb/zjwj/201710/t20171017\\_269739.html](http://www.saic.gov.cn/zw/wjfb/zjwj/201710/t20171017_269739.html)

## 9. 19<sup>th</sup> Party Congress: Highlights for Foreign Businesses

News Category: Corporate / Legal  
Promulgation Date: October 18<sup>th</sup>, 2017

“China's open door will not be closed, it will be only be opened wider” President Xi Jinping said delivering his speech during the opening session of the 19<sup>th</sup> National Congress of the Communist Party of China.

If from one side Xi called expressed support for market reform and private firms, reducing market entry restrictions on foreign businesses, protecting foreign companies' legal interests, and a more equal treatment between for both domestic and foreign business, at the same time he mentioned the importance of the development and the strength of state-owned enterprises, calling for a bigger role for the Communist Party in leading the national economy. According to foreign businesses and analysts, **market liberalization during the “new era” is seen as secondary to a state-centered approach to economic policy and the focus on stability.**

During the first five years of Xi's government, the economy turned out to be less open, with a more hostile business environment for foreign multinationals than for local competitors, aspect also shown by the decrease of incoming investments over the last two years.

The same project, Made in China 2025, where China's intentions are aimed towards a stronger innovation ecosystem and to become a technology superpower, can provide greater openness in the short term in strategic areas for researching technological know-how, which may, however, turn over in the medium term, once Beijing feels it has achieved its goals. Foreign governments and businesses have expressed apprehension over the new era, with concerns over forced technology transfers and intellectual property theft in exchange for access to markets such as new energy vehicles and semi-conductor production. At the same time, the government has also offered incentives such as reduced corporate income tax rates to attract foreign investment in high-tech sector.

During the 19<sup>th</sup> Congress Beijing clearly focused more on social and domestic economic stability and, at least so far, most analysts aren't expecting major developments that will significantly shake up economic forecasts or financial bets.

## 10. China Calls for More Efforts in the All-staff Work Safety Responsibility System of Enterprises

News Category: HR  
An Wei Ban No. 29 [2017]  
Title: *Circular of the Office of the Work Safety Commission of the State Council on Fully Strengthening the All-staff Work Safety Responsibility System of Enterprises*  
Promulgator: Work Safety Commission of the State Council  
Promulgation Date: October 10<sup>th</sup>, 2017  
Effective Date: October 10<sup>th</sup>, 2017

The Circular defined arrangements in 3 aspects: giving great importance to the all-staff work safety responsibility system of enterprises, establishing and improving the all-staff work safety responsibility system of enterprises, and strengthening the supervision and inspection over the all-staff work safety responsibility system of enterprises.

Furthermore, the all-staff work safety responsibility system of enterprises should be designed and improved under laws and regulations, and the persons mainly in charge of an enterprise should be responsible for establishing and optimizing the all-staff work safety responsibility system. The work safety responsibility system shall involve all divisions and positions within the enterprise, with concise, unambiguous, easy to be operated and updated assessment criteria.

Additionally, the Circular stresses efforts for stricter supervision and inspection, imposing penalties according to the law, improving a blacklisting system in order to include records of adverse work safety events. If a party, due to refusing to put into force the all-staff work safety responsibility system of enterprises, causes serious consequences, it shall be subject to punishments and be announced to the general public regularly.

**You can read the complete news at:**

[http://www.chinasafety.gov.cn/newpage/Contents/Channel\\_22243/2017/1101/297896/content\\_297896.htm](http://www.chinasafety.gov.cn/newpage/Contents/Channel_22243/2017/1101/297896/content_297896.htm)

## 11. HK Summit on New Directions for Taxation

News Category: Hong Kong News

Title: *Taxation summit held*

Promulgation Date: October 23<sup>rd</sup>, 2017

Effective Date: October 23<sup>rd</sup>, 2017

The Government held the Summit on New Directions for Taxation on 23<sup>rd</sup> of October.

The summit gathered government officials, business leaders and tax professionals to discuss the formulation of **forward-looking tax policies and measures for fostering economic development**.

Opening the summit, Chief Executive Carrie Lam said: "On the premise of ensuring the health of public finance, the (Hong Kong) Special Administrative Region Government should adopt forward-looking and strategic financial management principles in wisely using our accumulated fiscal surpluses, which are wealth derived from the community, to benefit the community. Ms. Lam called on the participants to propose tax measures which will further promote Hong Kong's economic development.

Also speaking at the summit, Financial Secretary Paul Chan elaborated on the tax measures launched by the Government in recent years, including the tax incentives for promoting the development of the financial sector and aircraft leasing business. He used these examples to outline the Government's underlying principles in considering different tax policies and measures, saying they must be able to generate economic and social benefits, meet international tax standards, and allow Hong Kong to maintain its existing simple and low tax regime.

The summit also featured two discussion sessions on tax initiatives to reinforce Hong Kong's pillar industries and promote the development of a diversified economy.

Secretary for Financial Services & the Treasury James Lau said the Tax Policy Unit under his bureau will continue to work with other government bureaus and stakeholders to study tax measures that promote the city's economic development.

**You can read the complete news at:**

[https://www.news.gov.hk/en/categories/finance/html/2017/10/20171023\\_204901.lin.shtml](https://www.news.gov.hk/en/categories/finance/html/2017/10/20171023_204901.lin.shtml)

## 12. Instant Customs Clearance in all Mainland for Wine Entering through Hong Kong

News Category: Hong Kong

GAC Announcement No. 55

Title: *Announcement on Fully Implementing Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong*

Promulgator: GAC

Promulgation Date: November 8<sup>th</sup>, 2017

Effective Date: November 8<sup>th</sup>, 2017

Wine re-exported from Hong Kong enjoys instant customs clearance in all customs districts of the Mainland starting from November 9, 2017. Under the relevant facilitation measures, pre-registered Hong Kong wine traders may submit advance wine consignment information online and enjoy instant customs clearance upon their consignments' arrival at Mainland ports. **The measures are exclusive for wine entering the Mainland through Hong Kong** and provided that the data and materials on such wine have been declared and filed by Hong Kong registered wine exporters and also examined and filed for record with the Hong Kong Customs and Excise Department. The measures were until now applicable only to five customs districts in the Mainland (Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen) and are extended to all 42 customs districts in the Mainland from the November the 9th onward.

According to the Announcement, the Mainland importers should fill in the column "Notes" on the import declaration form with the "record-filing number of facilitation measures". "The Mainland has all along been the largest market for wine re-exported from Hong Kong. With the extension of the customs facilitation measures, the wine community will benefit from more speedy customs clearance and greater certainty in the Mainland when re-exporting through Hong Kong. The extension will support international wine traders in tapping the Mainland market by making use of Hong Kong's top-notch business and logistics infrastructure, and further strengthen Hong Kong's unique position as Asia's wine hub", a spokesman for the Commerce and Economic Development Bureau said.

**You can read the complete news at:**

<http://www.customs.gov.cn/customs/302249/302266/302269/739812/index.html>



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