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NEWSLETTER

LATEST NEWS FROM CHINA



Newsletter

Latest news from China
Issue n.3 – March 2017

Tax

1. Taxpayers in the Authentication and Consulting Industries allowed to issue Special VAT Invoices on their own
2. Administration Enhancements of Deduction of Customs Import Value Added Tax
3. China Encourages Technological Innovation through Import Easing
4. China Announces Private and Corporate Tax Rate Cuts

Customs

5. LDC's Now Eligible for Special and Preferential Tariff Treatment
6. All Enterprises Now Eligible to Adopt Paperless Customs Clearance Operations
7. Simplified Import Requirements for Non-Special-Purpose Cosmetics in Pudong New Area
8. Food and Cosmetics Prohibited from Entry to China: First List Issued

Corporate/Legal

9. SIPO Pilots Arbitration and Conciliation for IP Disputes
10. Shanghai FTZ Easing Foreign Capital Restrictions for Securities and Futures Companies
11. China's Plan to Innovate Manufacturing by 2025

HR

12. China Plans to Improve Workplace Safety
13. Guangdong, Tianjin and Jiangsu New Policies to protect Female Workers
14. 5 Years Work Permit: China further Policy Release to attract Foreign Talents

Hong Kong News

15. Hong Kong to adjust Salaries Tax and Tax under Personal Assessment

1. Taxpayers in the Authentication and Consulting Industries allowed to Issue Special VAT Invoices on their own

News Category: Tax
SAT Announcement [2017] No. 4
Title: *Announcement of the State Administration of Taxation on Matters Relating to the Pilot Program of Issuing Special Value-added Tax Invoices by Small-scale Value-added Taxpayers Themselves in the Authentication and Consulting Industry*
Promulgator: SAT
Promulgation Date: February 22nd, 2017
Effective Date: March 1st, 2017

New provisions were made for small-scale VAT taxpayers in the consulting and authentication industry with a monthly sales amount exceeding CNY30,000 (or quarterly sales amount exceeding CNY 90,000):

1. Issuing VAT invoices for the provision of certification services, authentication services and consulting services, the sales of goods, and any other taxable practice for VAT purposes may be done on their own through the new management system for VAT invoices;
2. SAT offices will no longer issue special VAT invoices on their behalf;
3. The VAT payable incurred when issuing special VAT invoices in this program shall be declared and paid within the required tax return period.

You can read the complete news at:
http://www.tax.sh.gov.cn/pub/xxgk/zcfg/zs/201702/t20170228_430631.html

2. Administration Enhancements of Deduction of Customs Import Value Added Tax

News Category: Tax
SAT Announcement [2017] No. 3
Title: *Announcement of the State Administration of Taxation on Strengthening the Management of the Deduction of Customs Import Value Added Tax*
Promulgator: SAT
Promulgation Date: February 13th, 2017
Effective Date: February 13th, 2017

The State Administration of Taxation has lately announced that stricter measures are going into place for the administration of Customs Import VAT

These measures include:

1. Tax payers must report correct corporate name on **tax payment certificate** of customs and make sure of the consistency between the corporate name stated on the tax payment certificate of customs and the one **registered in tax authorities;**
2. Taxpayer shall apply for auditing and comparison by submitting the relevant information of imported goods on the tax payment certificate of customs according to the provisions, **after obtaining such certificate;**
3. When auditing and doing comparisons, the tax payment certificate of customs and the taxpayer's actual import business must be **consistent**. If the tax authority considers it **inconsistent then deduction** will be temporarily **blocked** until inspected.

You can read the complete news at:
<http://www.chinatax.gov.cn/n810341/n810755/c2477981/content.html>

3. China Encourages Technological Innovation through Import Easing

News Category: TAX
Cai Guan Shui [2016] No.70
Title: *Circular on Import Tax Policies for Encouraging Technological Innovations during the "13th Five-year Plan" Period*
Promulgator: SAT, GAC, MOF
Promulgation Date: December 27th, 2016
Effective Date: January 1st, 2016

The SAT, GAC and MOF jointly announced the support of duty free imports to encourage science and technology innovation during China's 13th Five Year Plan.

Importation of books, articles and materials for scientific research or teaching, that are imported by publication entities for scientific institutions, shall be **exempt** from value-added tax, and if no such article is available in China, or those that are available do not meet performance standards, they shall be exempt from import duties, value added and consumption taxes.

These items imported free of tax are allowed to be used in any **scientific research, technological development and teaching activities** of other entities, however hospitals are only allowed to import one set of large and medium-sized medical testing instruments every five years.

You can read the complete news at:
<http://www.chinatax.gov.cn/n810341/n810755/c2435701/content.html>

4. China Announces Private and Corporate Tax Rate Cuts

News Category: Tax
Title: *Companies to see more tax savings*
Promulgator: The State Council of the People's Republic of China
Promulgation Date: March 6th, 2017
Effective Date: 2017

Premier Li Keqiang delivered the Government Work Report on March the 5th, he proposed cutting corporate and personal tax rates and improving the VAT system.

Since its inception, the VAT reform (beginning in 2012 and seeing business tax replaced with VAT) has been extremely beneficial to business tax savings. After being rolled out in the last four sectors (find more details on our Special Topic Newsletter "Detailed Rules on the VAT Reform Rolled-Out to All Sectors") VAT is now in all industries with only 1.5% of corporate taxpayers facing higher taxes after its implementation. In 2016 alone VAT resulted in 570 billion Yuan in tax savings.

The announced improvements are just another stride to ensure a reasonable economic growth rate.

The new government policies intending to cut these tax rates include streamlining administration costs, delegating more powers and improving regulation and services.

These costs cuts include cutting taxes and administrative fees by 550 billion Yuan (\$79.7 billion) **to reduce the corporate burden** and support small innovative and technology companies. A **50% tax cut** is planned for companies with annual taxable **income lower than 500,000 Yuan**. Chinese government will also increase efforts to increase public-private partnerships projects.

Even though tax rates are being cut drastically, the governmental debt risk is under control with debt-to-GDP ratio at around 36.7%.

You can read the complete news at:
http://english.gov.cn/premier/news/2017/03/06/content_281475586651106.htm

5. LDC's Now Eligible for Special and Preferential Tariff Treatment

News Category: Customs

GAC Order No. 231

Title: *Administrative Measures of the Customs of the People's Republic of China for Origin of Goods Imported from Least Developed Countries and Eligible for Special and Preferential Tariff Treatment*

Promulgator: GAC

Promulgation Date: March 1st, 2017

Effective Date: April 1st, 2017

The GAC issued administrative measures on the origin of imported goods to the least developed countries and are eligible for special and preferential tariff treatment.

Goods produced in a beneficiary country or directly transported from a beneficiary country to territories of China may file applications to be eligible for the special preferential tariff. These goods include live animals, plants and products harvested, minerals and naturally occurring materials, and waste goods from the beneficiary country. In addition to the goods produced within the beneficiary country, goods produced with materials not originating from beneficiary countries shall also be eligible for preferential tariff treatment so long as its regional value content is **not lower than 40% of the price of the goods produced.**

Special and preferential tariff treatment will also extend to goods and materials originating from China that are used to produce another good in the beneficiary country.

Minor processing operations including washing, cleaning, ironing textiles, simple assembly and calibration will not affect the determination of origin of goods, and materials including fuel, energy, safety equipment and compounding materials used in production will also not affect the determination of the origin of goods.

In order to be eligible, the consignee of imported goods must submit all necessary documents and produce the Customs Import Declaration Form of the PRC within 14 days declaring the applicable special and preferential tariff, however; if the duty-paid price verified by the customs according to law **does not exceed CNY6,000**, they are **exempt from requirements** on submission of valid certificates and declarations of origin.

You can read the complete news at:

<http://www.customs.gov.cn/publish/porta10/tab49660/info841164.htm>

6. All Enterprises Now Eligible to Adopt Paperless Customs Clearance Operations

News Category: Customs
GAC Announcement [2017] No. 8
Title: *Announcement on Widening the Application Scope of Paperless Customs Clearance Operations*
Promulgator: GAC
Promulgation Date: February 6th, 2017
Effective Date: February 6th, 2017

GAC expands the scope of enterprises subject to the paperless customs clearance operations to all enterprises with various credit ratings.

Moving to paperless customs clearance operations will increase the implementation of policy measures for stable **growth in foreign trade** as well as enhance trade facilitation. Enterprises may adopt the method of paperless customs clearance operations at nationwide customs offices once it has entered into an electronic data application protocol with the customs office with direct jurisdiction and the third-party certification body, without the need of entering into such protocol repeatedly.

You can read the complete news at:
<http://www.customs.gov.cn/publish/portal0/tab49661/info838535.htm>

7. Simplified Import Requirements for Non-Special-Purpose Cosmetics in Pudong New Area

News Category: Customs
CFDA, AQSIQ Announcement [2017] n.10
Title: *Notice on the Relevant Matters Concerning the Administration of Importing Non-Special Purpose Cosmetics for the Pudong New Area in Shanghai*
Promulgator: CFDA, AQSIQ
Promulgation Date: January 10, 2017
Effective Date: March 1, 2017

In a joint announcement issued by the CFDA and AQSIQ, the following clarifications were made:

From **March 1, 2017 to December 21, 2018**, a registration process shall be implemented for non-special cosmetics imported for the first time to ports in the Pudong New Area of Shanghai with domestic dealer registered in the same area. For first time imports, the registration process is executed through the **registration system** and if an enterprise needs a subsequent importation of cosmetics that have been previously registered from outside ports, the information shall be deregistered and an administrative approval must be obtained.

Additionally, The China Food and Drug Administration **must inform the Entry-Exit Inspection and Quarantine Bureau** with details related to the registered information in order to facilitate verification.

You can read the complete news at:
<http://www.sda.gov.cn/WS01/CL0087/168637.html>

8. Foods and Cosmetics Prohibited from Entry to China: First List Issued

News Category: Customs

Title: *List of Food and Cosmetics Prohibited from Entry (2017)*

Promulgator: General Administration of Quality Supervision, Inspection and Quarantine

Promulgation Date: March 1st, 2017

Effective Date: March 1st, 2017

A list of 403 commodities is **barred from entry to China** as a result of quality issues, substandard labels or other various issues. Of these products, 40% (around 175 batches) are from **Taiwan**. The next most common country on the list is Australia with 35 products. Other countries on this list include Korea, the United States, Japan, France, Germany, and Italy.

You can read the complete news at:

http://www.aqsiq.gov.cn/xxgk_13386/zxxxgk/201703/t20170301_483449.htm

9. SIPO Pilots Arbitration and Conciliation for IP Disputes

News Category: Legal/Corporate

Guo zhi ban hanxiezi [2017] N. 122

Title: *Circular on Carrying out the Pilot Arbitration and Conciliation for Intellectual Property Disputes*

Promulgator: SIPO

Promulgation Date: March 9, 2017

Effective Date: March 9, 2017

[SIPO announces efforts will be made to regulate the arbitration and conciliation for IP disputes](#)

This will drive **forward the development** of the IP info sharing and case acceptance platform and establish IP arbitration organizations within the chambers of commerce and in **core sectors and key industries**. Additionally, this will urge lawyers, patent agents, engineering techs and other professionals to take an **active** part in arbitration and conciliation for disputes to ultimately settle patent, trademark, copyright, trade secret and other IP disputes.

You can read the complete news at:

<http://211.157.104.86:8080/ogic/view/govinfo!detail.jhtml?id=3347>

10. Shanghai FTZ Easing Foreign Capital Restrictions for Securities and Futures Companies

News Category: Legal/Corporate
Title: *Shanghai FTZ Plans to Relax Securities and Futures Companies' Restrictions over Foreign Capital*
Promulgator: Shanghai Free Trade Zone Government
Promulgation Date: March 9, 2017
Effective Date: March 9, 2017

Shanghai FTZ will **loosen restrictions this year** over foreign capital's access to the accounting, auditing, architectural design, rating services and other sectors, in addition to the upcoming latest version of the [Catalogue for the Guidance of Foreign Investment Industries](#).

In the meantime, relevant departments are making studies to formulate the specific policies for the **ease of restrictions** over **foreign capital** in banking financial institutions, securities companies, securities investment fund management companies, futures companies and insurance companies.

You can read the complete news at:
<http://www.shanghai.gov.cn/nw2/nw2314/nw2315/nw4411/u21aw1213229.html>

11. China's Plan to Innovate Manufacturing by 2025

News Category: Corporate/Legal
Title: *China Manufacturing 2025 Putting Industrial Policy Ahead of Market Forces*
Promulgator: European Chamber of Commerce in China
Promulgation Date: January 2017
Effective Date: May 2015

On May 2015 the State Council proposed a plan as a response to industrial manufacturing challenges. The ["Made in China 2025" plan](#) is meant to advance China's manufacturing technology as China now depends on foreign companies for core technologies.

China Manufacturing 2025 (hereinafter referred to as "CM 2025") mainly focuses on the following sectors: **next generation IT, energy-saving vehicles, biopharmaceuticals, robotics, aerospace and aviation equipment, maritime vessel manufacturing, advanced rail equipment, electrical equipment, agricultural machinery and equipment, new materials**. The strategic plan aims to foster internal development of the identified key industries through policy tools that will have national as well as international implications, including - among others - encouraged technology transfers in exchange for market access in China, upgrading technology standards to ensure the inclusion of Chinese developed technology, subsidies, public-private partnerships, and local government support.

The core reasoning for CM 2025 is to upgrade the manufacturing environment in China, which is currently riddled with weaknesses. Currently Chinese manufacturing has very low value added to the finished products. This resulted in China conducting an energy intensive process while reaping the lowest margin of profits on the production. Another outstanding problem China currently faces is overcapacity with low-end goods, which has two major consequences;

the first is that profits are driven down globally, and the second is innovation slow-down. A particular industry that is foreseeably running the risk of overcapacity is that of industrial robotics. The risk may soon occur as a result of the overuse and abuse of subsidies in this particular industry, as studies show the rapid increase of the use of robotics in China in latest years. Furthermore, China is also facing the risk of getting stuck in the middle-income trap.

As reported in the EUCC analysis [“China Manufacturing 2025: Putting Industrial Policy Ahead of Market Forces”](#), one major concern of CM 2025 regards the **effects on inbound and outbound investments and property rights for European companies** whilst it is expected that it will foster indigenous innovation and self-sufficiency for Chinese manufactures. The combination would presumably modify the framework for competitiveness in China favoring domestic companies.

The trend is already starting to take hold with a EUR 2 Billion decline in investments from the European Union in 2015 in China. In contrast, Chinese firms made EUR 35 Billion investment in the EU in 2016. Options to ensure an increase in Chinese investment opportunities include engaging partnerships with Chinese companies that have goals in line with CM 2025. Alternatively, foreign companies may strategically consider providing components and services to both SOEs and private corporations working towards policies such as CM 2025 or [Belt and Road Initiative](#).

Where a foreign company seeks to invest in China under the new circumstances of CM 2025 it should avoid competing with businesses which have access to state funding.

An additional risk for European companies is the information risk of giving over high technology property rights. The EU Chamber of Commerce claims that this will curtail foreign business while the Chinese government sees it as a measure to crackdown on New Energy Vehicle (NEV) subsidy frauds.

For this strategic plan to reach its ambitions, China will need to address two key issues, the labor market and overcapacity. The current labor market in China lacks an advanced workforce that is vital to the success of CM 2025. In a [Hays survey](#), 45% of respondents of more than 2,000 China-based employers noted a severe skills shortage in their organization. The second main critical issue is for overcapacity not to emerge in the targeted sectors. Setting more stringent reviews on subsidies grants shall help to reduce overcapacity, and doing so should increase upgrades in manufacturing power as well as boost the quality of industrial products.

The Chinese government refutes that the CM 2025 plan is biased against towards foreign businesses. Mr. Miao Wei, Minister of Industry and Information Technology stated *“Foreign companies and domestic enterprises are and will be treated equally.”* An example under CM 2025 of this equal treatment is provided by the information turnover in New Energy Vehicles. This information turnover targets both domestic and foreign firms alike in order to prevent businesses from taking unfair advantages of government subsidies. In addition, Minister Miao reassured foreign companies by claiming that, *“China had never and will never force foreign firms to turn over their advanced technology.”*

CM 2025 will have a direct and significant affect on Italian imports to China. Italy will want to maintain as much market share as possible with 65% of total Italian export to China to be estimated to be affected by CM 2025. Italy will also face more pressure to increase a currently slow R&D environment.

Italy should become aware of its strengths and properly market them to Chinese counterparts to confirm its leadership also in advanced technologies. For instance, Chinese investments on energy and environment protection will be enormous and Italy has proven to be a leading country for green economy among the big economies. With CM 2025, Italy could have the opportunity to gain a strategic role in green manufacturing, as that is not directly affecting competition with made-in-China manufacturing.

12. China Plans to Improve Workplace Safety

News Category: HR

Guo Ban Fa [2017] No. 3

Title: *Circular of the General Office of the State Council on Issuing the 13th Five-Year Plan for Work Safety*

Promulgator: General Office of the State Council

Promulgation Date: January 12th, 2017

Effective Date: January 12th, 2017

The State Council has lately produced a five-year broad set of guidelines to make a step towards creating final laws and regulations to **reduce occupational diseases and workplace hazards**. These steps will create shared responsibility of government regulators, industry regulators, and employer/employee participants.

The Plan aims to **reduce production accidents** and deaths from 2015 by 10% in 2020. In order for this to be accomplished, all levels of industry must be involved and participate. Measures to make this happen include strengthening the role of enterprises and local governments and improving related laws and regulations. There must be cooperation with businesses and medical forces to enhance emergency response mechanisms. Liability for accidents must also be improved. This can be done through **expanding criminal liability** for employers that fail to address potential safety hazards. **Hidden dangers** also will be identified in 17 major fields including coalmines, hazardous chemicals, fireworks, water transportation and civil aviation transportation.

To monitor the current safety condition and keep track of it in the future an establishment of a **national big data platform** on safe production information is going to be created. The general public will also be benefit from these new standards, as hazardous chemical and chemical engineering factories will **relocate from high-population urban areas**.

You can read the complete news at:

http://www.gov.cn/zhengce/content/2017-02/03/content_5164865.htm

13. Guangdong, Tianjin and Jiangsu New Policies to protect Female Workers

News Category: HR

Title: *Implementing Measures of Guangdong Province for Regulations on the Labor Protection of Female Employees; Provisions of Tianjin Municipality for Protecting the Rights and Interests of Women; Regulations on the Implementation of Special Provisions for the Labor Protection of Female Employees*

Promulgator: People's Government of Guangdong Province, Jiangsu Provincial Government; Tianjin Municipal People's Government

Promulgation Date: February 20th, 2016; February 9th, 2017; November 18th, 2016

Effective Date: February 1, 2017; March 1st, 2017; on process

Guangdong, Tianjin and Jiangsu implemented the following provisions to protect female employees:

The **Implementing Measures of Guangdong Province for Regulations on the Labor Protection of Female Employees** implemented measures to strengthen workplace protection for female employees. Key issues such as maternity and nursing leave, as well as non-discrimination have been addressed in these new provisions. Employers will now provide a more generous leave for miscarriages and during maternity leave, the employer must pay the difference between the maternity allowance paid by maternity insurance, and the employee's average monthly salary over the past year before the birth of the child. Additionally, employers are to provide more leave for women who miscarry, approximately 75 days, and if an employee needs to take a leave of absence from work to avoid a miscarriage, their leave should be covered.

Tianjin Province implemented similar measures. The **Provisions of Tianjin Municipality for Protecting the Rights and Interests of Women** clarify several issues on maternity leave and the benefits provided to women after childbirth, as well as non-discrimination. Employment contracts for women in Tianjin Province may not restrict a woman's right to marriage and childbirth. In the case that a female employee needs additional time off to care for her child past the allotted maternity leave, the employer must allow for her to take up to six months with a compensation rate of at least 80% of her base salary. Furthermore, employers must not consider maternity and nursing leave when making decisions about promotions, bonuses or salary.

Authorities in Jiangsu Province also drafted provisions strengthening women's labor protection. The draft of **Regulations on the Implementation of special Provisions for the Labor Protection of Female Employees** grants females the right to resign and demand compensation in the case of sexual harassment that was not prevented by the company. Additionally, the new measures include more generous miscarriage provisions and provide increased rest entitlements and restrictions on working hours for women in their first trimester of their pregnancy.

You can read the complete news at:

http://zwgk.gd.gov.cn/006939748/201612/t20161223_686764.html

http://zgh.sheyang.gov.cn/zgh/zcfg/20170210/004_4a3c0858-d69f-42e4-bb2d-dcbc2c8e94e0.htm

<http://www.teda.gov.cn/contents/690/3615.html>

14. 5 Years Work Permit: China further Policy Release to attract Foreign Talents

News Category: HR

Title: *Further Release of Policies to attract Foreign Talents*

Promulgator: Ministry of Public Security

Promulgation Date: March 9th, 2017

Effective Date: upcoming months

China is implementing multiple actions to secure **top global talent** contributing to its growth. These actions come through relaxing visa rules for foreign workers to not only start work in China but also extend their time in China.

A new pilot program announced lately by the Ministry of Public Security allows for instance anyone who has been employed in China for at least two consecutive years to apply for a **five-year work permit**. Before most of the time the foreign employee had to apply for a new work permit every year, regardless of being hired with a multiyear contract.

The program will be first experimented in **9 cities** and province-level governments (including Beijing, Wuhan, Hebei province) as well as in 11 free trade zones (including those in Tianjin, Chongqing and Henan province).

You can read the complete news at:

<http://www.mps.gov.cn/n2253534/n2253535/n2253537/c5657069/content.html>

15. Hong Kong to adjust Salaries Tax and Tax under Personal Assessment

News Category: Hong Kong News

Title: *Inland Revenue (Amendment) Bill 2017*

Promulgator: State Information Services Department

Promulgation Date: March 3rd, 2017

Effective Date: March 22nd, 2017

The Inland Revenue (Amendment) Bill 2017 implements the concessionary revenue measures proposed in the [2017-2018 Budget](#). The measures include the following adjustments to salaries tax and tax under personal assessment, which will reduce together the tax revenue by \$2 billion per year:

1. Widening marginal tax bands from \$40,000 to \$45,000;
2. Increasing the disabled dependent allowance from \$66,000 to \$75,000;
3. Increasing the dependent brother/sister allowance from \$33,000 to \$37,500;
4. Extending the entitlement period for home loan interest deduction from 15 years to 20 years;
5. Increasing the deduction ceiling for self-education expenses from \$80,000 to \$100,000

There will also be a one off reduction of salaries tax under personal assessment and profits tax for the year of assessment 2016-17 by 75%, with a ceiling of \$20,000 per case.

You can read the complete news at:

<http://www.ird.gov.hk/eng/ppr/archives/17030301.htm>

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