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NEWSLETTER

LATEST NEWS FROM CHINA

Newsletter

Latest news from China
Issue n.8 – September 2017

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1. PBC Plan to Develop the Information Technology in the Financial Sector

News Category: Finance/ Accounting

Yin Fa No. 140 [2017]

Title: *Circular of the People's Bank of China on Issuing the 13th Five-Year Plan for the Development of Information Technology in China's Financial Sector*

Promulgator: People's Bank of China

Promulgation Date: June 27th, 2017

Effective Date: June 27th, 2017

In the recently released Plan, the People's Bank of China reports that, by the end of the 13 Five-Year period, the financial information infrastructure will rise to an international advanced level, and that over 110 **national and industrial financial standards** will be launched and updated, with a further **improvement of the financial network security system**.

To this end, the Plan calls for further **improving the financial information infrastructure**, deepening finance standardization strategies, optimizing the information technology governance system. Furthermore, the Plan states that efforts will be made to promote in a coordinated manner the establishing of a national financial market information infrastructure in respect of payment and clearing, custodian and settlement, deals in the financial market, bank transaction reports, and to strengthen the setup of information infrastructure for markets such as the wealth management, trust, fund, and insurance.

The establishment of an improved financial network security system aims to the application of the commercial code products recognized by the state commercial code administrative department to all information systems for the finance sector by 2020.

You can read the complete news at:

<http://www.pbc.gov.cn/zhengwugongkai/127924/128038/128109/3333998/index.html>

2. Costs' Reductions for VAT Control System Products and Maintenance Service Fees

News Category: TAX

Fa Gai Jia Ge No. 1243 [2017]

Title: *Circular of the National Development and Reform on Relevant Matters Concerning Reducing the Prices of Value-added Tax Control System Related Products and the Maintenance Service Fees*

Promulgator: NDRC

Promulgation Date: July 2nd, 2017

Effective Date: August 1st, 2017

The Circular states that the Golden Tax USB Disk (one of the special tools to tackle the counterfeiting VAT control system), will see a decreased retail price of CNY 200 from the original CNY 490, while the retail price of the USB disk used for tax return will also be reduced from CNY 230 to CNY 100; a decreased retail price from CNY 490 to CNY 200 each has been decided also for the TCG-01 tax control disk – used in the tax control system to print special VAT invoices for freight transportation service, uniform invoices for motor vehicles sale, and invoices for highway and river cargo freight. Also the TCG-02 tax control disk retail price will decrease, from CNY 230 to CNY 100.

Reductions will also involve the criteria for technical maintenance service fees charged by entities that provide technical services for the VAT control system; for any enterprise that uses two or more sets of tax control system related products, the second set and those bought afterwards will be subject to the half reduced technical maintenance service fees.

Furthermore, according to the Circular, the expenses incurred by the purchase of tax control system related products and the technical maintenance service fees could be used to offset against the tax payable.

You can read the complete news at:

http://www.ndrc.gov.cn/gzdt/201707/t20170704_853938.html

3. Clarifications on VAT Levied on Asset Management Products

News Category: TAX

Cai Shui No.56 [2017]

Title: *Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products*

Promulgator: MOF, SAT

Promulgation Date: June 30th, 2017

Effective Date: August 1st, 2018

The Circular n.56, jointly issued by MOF and SAT, has significant importance for the asset management industry, bringing on one side tax relief for taxpayers and, on the other side, easing the tax administration process for tax authorities.

The Circular stipulates that for VAT taxable activities taking place during the operation of an asset management product by its manager, the **simplified VAT calculation method** will be temporarily adopted with a 3% levy rate. The output VAT at 3% will be payable on the relative revenue, and no input VAT credits will be claimable for expenses.

The Circular sets also forth the definition of a "manager of asset management products" and "asset management products".

The **asset management product managers** include banks, trust companies, public fund management companies and their subsidiaries, securities companies and their subsidiaries, futures companies and their subsidiaries, private equity fund managers, insurance asset management companies, professional insurance asset management institutions and endowment insurance companies.

The **asset management products** include, among others, bank financial products, money trusts, property right trusts, public securities investment funds, aggregate asset management plans, directional asset management plans, private equity investment funds, debt investment plans, equity investment plans, plans for investments in both stocks and bonds, and other asset management product managers and asset management products specified by the Ministry of Finance and the State Administration of

Taxation.

Moreover, the Circular explicitly states that for management services provided by the manager as entrusted by an investor or under a trust agreement for the entrusted assets, and other VAT taxable activities conducted by the manager except for those specified in Article 1 of the Circular, VAT should be levied and paid under existing provisions. The manager is also required to calculate and separate the sales revenue and VAT payable for the operating business for asset management products from that of any other business, and may separate or aggregate the calculation of the sales value of and value-added tax payable on the Operation of Asset Management Products at its option.

You can read the complete news at:

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201706/t20170630_2635146.html

4. SAT Further Details the Preferential EIT Policies for High-tech Enterprises

News Category: TAX

Cai Shui No.56 [2017]

Title: *Announcement of the State Administration of Taxation on Issues concerning the Implementation of Preferential Income Tax Policies for High-tech Enterprises*

Promulgator: SAT

Promulgation Date: June 19th, 2017

Effective Date: June 19th, 2017

The Announcement states that, an enterprise, after obtaining the qualification of "high-tech enterprise", can enjoy the tax preferences from the year in which the date of issuance indicated on the certificate of high-tech enterprises falls and shall complete the record-filing formalities with the competent tax authority in accordance with the provisions.

In the year when the enterprise's qualification as a high-tech enterprise expires, before passing the re-accreditation, its enterprise income tax shall be temporarily prepaid at the rate of 15%. If the enterprise still fails to obtain the qualification as a high-tech enterprise before the end of the year, it shall pay back taxes for the corresponding tax period in accordance with the provisions.

Furthermore, if the tax authority finds that an enterprise identified as high-tech enterprise and entitled to tax incentives does not comply with the relevant certification conditions, it will request the certification institution to make a review; in case of confirmation that said enterprise does not satisfy the relevant conditions, it will be disqualified as a high-tech enterprise and the relevant tax authority will be notified for the recovery of the tax preferences that have been granted to the said enterprise as of the year in which the said enterprise is disqualified and within the valid period of the certificate.

You can read the complete news at:

<http://www.chinatax.gov.cn/n810341/n810755/c2684881/content.html>

5. Preferential Tax Policies to Support Key Populations

News Category: TAX

Cai Shui No.49 [2017]

Title: *Circular on Continuing the Implementation of Relevant Tax Policies for Supporting and Promoting the Entrepreneurship and Employment of Key Groups*

Promulgator: MOF, MHRs, SAT

Promulgation Date: June 12th, 2017

Effective Date: Effective

According to the Circular, if processing enterprises among trade firms, service-oriented enterprises, labor and employment service enterprises, and small-sized processing business entities in the sub-districts and communities recruit a person for some new position in the current year who has been registered as being unemployed at the public employment service agency under the department of human resources and social security for over 6 months and has obtained the Employment and Entrepreneurship Certificate (or the Employment and Unemployment Registration Certificate), such enterprise may be entitled to the preferential deduction of VAT, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax in subsequence by the quota according to the number of actually recruited persons within 3 years (provided that it has concluded with such persons labor contracts with a term of longer than 1 year and paid social insurance contributions according to the law).

The quota criteria are CNY4,000 per person every year and can float up to 30 percent; all provincial governments can determine the specific quota criteria within the said range depending on the local situation.

You can read the complete news at:

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201706/t20170616_2625140.html

6. EIT Preferential Policies for Small Low-profit Enterprises

News Category: TAX

SAT Announcement No.23 [2017]

Title: *Announcement of the State Administration of Taxation on Tax Levy and Administration Matters concerning the Implementation of Enterprise Income Tax Preferential Policies with Wider Coverage for Small Low-profit Enterprises*

Promulgator: SAT

Promulgation Date: June 6th, 2017

Effective Date: June 6th, 2017

The Announcement states that beginning on January 1, 2017 and ending on December 31, 2019, any eligible small low-profit enterprise with the annual taxable income less than CNY500,000 (inclusive), irrespective of the tax levy based on account examinations or on assessment, will be entitled to the EIT at a reduced rate of 20% based on its annual taxable income which is half of its income prescribed by the [Circular on Widening the Coverage of Enterprise Income Tax Preferential Policies for Small Low-profit Enterprises](#). According to the Announcement, all eligible small low-profit enterprises will be required to prepay the EIT on a quarterly basis, without going through the special record-filing formalities.

Moreover, the Announcement sets out that where an enterprise newly established in the current year is estimated to be qualified as a small low-profit enterprise in that year, it could enjoy the half-reduced tax policy, provided that its actually accumulated profit or taxable income does not exceed CNY500,000 (inclusive) at the time of EIT prepayment.

In case a small enterprise has claimed the incentives at the time of prepayment, but it proves not to be qualified for small enterprise at the moment of performing the EIT annual filing, it shall make a retroactive tax payment.

You can read the complete news at:

http://ln.gs-l-tax.gov.cn/art/2017/6/12/art_4515_141771.html

7. Clarifications on Venture Capital Investment Funds' Eligibility to Pilot Tax Policies

News Category: TAX

Title: *Q&A on private funds to clarify the relevant standards and processes in respect of the eligibility of venture capital investment funds to pilot tax policies.*

Promulgator: CSRC

Promulgation Date: July 7th, 2017

Effective Date: July 7th, 2017

Recently, the China Securities Regulatory Commission ("CSRC") has issued the replies to regulatory questions on private funds to clarify the standards and processes in respect of the eligibility of venture capital investment funds to pilot tax policies.

For venture capital enterprises and individual angel investors located in pilot areas that make investment in tech enterprises in the seed stage or early stage, it may **deduct 70% of their investment amount from the taxable income**, provided that they satisfy relevant requirements.

Accordingly, the CSRC specifies the relevant standards concerning the actual amount of paid-up capital, existing period, personnel qualifications, investment areas, etc. The replies point out that venture capital investment funds entitled to the above-mentioned pilot tax policies shall not only **comply with the administrative provisions** of the CSRC and the Asset Management Association of China regarding private funds, but **also meet six conditions**, naming some: the paid-up capital shall not be less than RMB30 million, alternatively, the down payment of capital shall not be less than CNY10 million and all the venture capital investors shall raise the paid-up capital to a total of CNY 30 million or above within 5 years from the venture capital fund business registration; the venture capital fund must have been operative for not less than 7 years; the venture capital fund must not be engaged in guarantee business or real property business.

In case the venture capital fund meets the requirements, the fund manager shall -on yearly basis - complete and submit the necessary application form and materials to the local CSRC office where the fund is registered. After receiving the relevant material, the local CSRC office will issue a certificate in favor of the qualified venture capital fund for enjoying the incentive.

You can read the complete news at:

http://www.csrc.gov.cn/pub/zjhpublic/G00306226/201707/t20170707_320092.htm

8. MOF Issues the Standards for the Internal Control of Small Enterprises

News Category: TAX

Cai Kuai No.21 [2017]

Title: *Circular of the Ministry of Finance on the Promulgation of the Standards for the Internal Control of Small Enterprises (for Trial Implementation)*

Promulgator: MOF

Promulgation Date: June 29th, 2017

Effective Date: January 1st, 2018

Effective from January 1st 2018, the Standards are organized into 4 chapters (General Provisions, Establishment and Implementation of the Internal Control System, Supervision of Internal Control, and Supplementary Provisions) and they apply to small enterprises that are legally incorporated within the territory of China, not yet qualified for implementing the Basic Standards for Enterprise Internal Control and the supporting guidelines thereof.

For what concerns the establishment and implementation of the internal control system, the Standards for example specify the overall requirements, targets, methods, contents, approaches and frequency in respect of risk evaluations, particularly set forth types of common risks for small enterprises and general strategies in response to risks, and provide for core areas that require small enterprises to have their own internal control, usual internal control measures, basic requirements on having internal control, the connection with the modern enterprise management system, personnel training, updating and optimization of control measures, and others.

You can read the complete news at:

http://kjs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201707/t20170707_2640522.html

9. Certain Goods under CEPA Subject to Zero Tariff from July 1

News Category: CUSTOMS

Shui Wei Hui No.10 [2017]

Title: *Circular of the Customs Tariff Commission of the State Council on Implementing Zero Tariff on Certain Goods under the Closer Economic Partnership Arrangement in the Second Half of 2017*

Promulgator: Customs Tariff Commission of the State Council

Promulgation Date: June 29th, 2017

Effective Date: July 1st, 2017

The Circular decides to apply zero tariff starting as of July 1, 2017 on 6 types of goods originating from Hong Kong and 27 types of goods originating from Macau that are involved in the newly completed negotiations on the rules of origin. The Circular is based on the [China Mainland and Hong Kong Closer Economic Partnership Arrangement](#) (CEPA) and on Mainland and Macau CEPA.

According the Table of Tariff Items and Rates for Goods with the Rules of Origin Already Verified in the Second Half of 2017 under the Mainland and Hong Kong CEPA, goods originating from Hong Kong include "Turkey meatballs" and others. In accordance with the Table of Tariff Items and Rates for Goods with the Rules of Origin Already Verified in the Second Half of 2017 under the Mainland and Macau CEPA, goods originating from Macau include "Other bee products" and others.

You can read the complete news at:

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201706/t20170630_2635021.html

10. Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies Issued

News Category: Corporate/Legal

Order of the China Securities Regulatory Commission No. 133

Title: *Measures for Compliance Management of Securities Companies and Securities Investment Fund Management Companies*

Promulgator: China Securities Regulatory Commission

Promulgation Date: June 6th, 2017

Effective Date: October 1st, 2017

The Measures are based on the amendments to the Regulations on the Administration of Superintendents of Securities Investment Fund Management Companies and the [Tentative Measures for Compliance Management of Securities Companies](#). The main contents are the following revisions:

- to propose eight universal principles for the regulated operation of all kinds of businesses;
- to straighten out the compliance management responsibilities of all parties including the directors of board, senior management officers and compliance head;
- to lay down basic standards about the development of the compliance system, organizational structure, quantity and quality of compliance staff for securities and funds operators;
- to strengthen the degree of specialty and professionalism level of the compliance head;
- to improve the guarantee provided for the compliance head to perform his or her duties;
- to intensify supervision and administration by investigating liabilities of the securities and funds operators as well as their senior management officers and compliance heads, in the light of their failure to implement the effective compliance management or other illegalities.

You can read the complete news at:

http://www.csrc.gov.cn/pub/zjhpublic/zjh/201706/t20170609_318115.htm

11. 2017 Catalogue for the Guidance of Foreign Investment Industries Officially Issued

News Category: Corporate/Legal
Order of the National Development and Reform Commission and the Ministry of Commerce of the People's Republic of China No.4
Title: *Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017)*
Promulgator: NDRC; MOFCOM
Promulgation Date: June 28th, 2017
Effective Date: July 28th, 2017

Jointly issued by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM), the 2017 Catalogue launches a negative list of foreign investment for the first time across all the country except the Free Trade Zones, differently from the 2015 Catalogue. The 2017 Catalogue follows the same line of general stability of policies on encouraged investment, opens up more sectors and further relaxes restrictions for foreign business. The major revisions in the Catalogue are listed below.

To broaden the opening up

For the service sectors, restrictions over foreign investment into highway passenger transport, credit investigation and rating service, accounting auditing and other areas will be removed. In the manufacturing industry, restrictions over foreign investment into rail transportation equipment, automotive electronics, batteries of new energy automobiles and other domains will be cancelled. In the mining industry, no restrictions will be imposed on foreign investment into unconventional oil and gas, precious metals and other fields.

To launch a negative list of foreign investment access

In case there are areas not identified on the negative list, there shall not be any restrictive measures imposed on foreign investment in principle.

To remove the restrictions related to consistency between domestic and foreign investment

After such restrictive measures are eliminated, the foreign investment and the domestic investment shall be administered in equal manner.

To keep the general stability of policies on encouraged investments

Continuous endorsement will be given to foreign investment into the advanced manufacturing, high technologies, energy conservation and environmental protection, modern service industry and other sectors.

You can read the complete news at:

http://www.ndrc.gov.cn/zcfb/zcfbl/201706/t20170628_852857.html

12. State Council Amends the Catalog of Permits for Industrial Products and Simplifies the Approval Procedures

News Category: Corporate/Legal
Guo Fa No.34 [2017]

Title: *Decision on Adjusting the Catalog for the Administration of Production Permits for Industrial Products and Trying out the Simplification of Approval Procedures*

Promulgator: State Council

Promulgation Date: June 24th, 2017

Effective Date: June 24th, 2017

According to The Decision **the catalog for the administration of production permits for industrial products will be further amended**: production permits for 19 categories of industrial products will be abolished, those of three categories of industrial products will be replaced by the compulsory product certification management, and eight types of licensing authorities will be delegated to local departments of quality inspection. Under the adjustments introduced, 38 categories of products will be continued to be administered by the production permits for industrial products.

Moreover, products under the administration by the production permits for industrial products as before shall be subject to a pilot program, under which **the approval procedures for production permits are streamlined**. Firstly, product inspections ahead of the issuance of a permit will be abolished and instead the enterprises will be allowed to present a product qualification report issued by an eligible inspection and test agency. Secondly, on-site inspections will be conducted subsequently. An enterprise may obtain the production permit first, if it can pass the pro forma review after it has submitted its application together with the product qualification report and has committed to ensure the product quality and safety, and then receive on-site inspections.

You can read the complete news at:

http://www.gov.cn/zhengce/content/2017-06/29/content_5206710.htm

13. SSE Updates the Guidelines for the Format of Announcements on Stockholding Reduction of Stockholders, Directors, Supervisors and Senior Executives of Listed

News Category: Corporate/Legal
Shanghai Han No.682 [2017]

Title: *Circular on Revising the Guidelines for the Format of Provisional Announcements on Stockholding Reduction by Stockholders, Directors, Supervisors and Senior Executives of Listed Companies*

Promulgator: Shanghai Stock Exchange

Promulgation Date: June 30th, 2017

Effective Date: June 30th, 2017

According to the Circular, issued with immediate effect, the following particulars should be released:

1. Basic information, number of stocks held, stockholding proportion, source of the stocks held, and the time, quantity, price range and the announcement disclosing particulars on stockholding reduction plans in respect of all stocks transferred during the past 12 months;
2. Main contents of the stockholding reduction plan;
3. Risk warning. In particular, the second point involves the source of stocks that are set to be transferred, the quantity, stockholding reduction proportion, period of stockholding reduction (no more than six months), approaches to reducing stock holdings, reasonable price range, and other detailed arrangements; particulars on the commitment made by the major stockholders, directors, supervisors, and senior executives on the stockholding proportion, quantity of stocks held, stockholding period, approaches to reducing stock holdings, quantities of stock reductions, and price at which stocks are transferred should also be disclosed; moreover, it is required to provide reasons why stocks are to be transferred.

You can read the complete news at:

http://www.sse.com.cn/lawandrules/guide/disclosure/notice/c/c_20170630_4337362.shtml

14. Sino-Swiss Social Security Treaty Officially Effective

News Category: HR

Ren She Ting Fa No.69 [2017]

Title: *Circular of the General Office of the Ministry of Human Resources and Social Security on Implementing the Agreement between China and Switzerland on Social Security*

Promulgator: Ministry of Human Resources and Social Security

Promulgation Date: June 13th, 2017

Effective Date: June 19th, 2017

The Circular aims to ensure the implementation of the Agreement between the Government of the People's Republic of China and the Swiss Federal Government for Social Security.

According to the Circular, the range of reciprocally exempted insurances under the Agreement in China includes the basic endowment insurance for employees and the basic social endowment insurance for urban and rural residents, while such range in Switzerland includes the old age and survivor insurance and disability insurance. According to provisions of Swiss laws, employees eligible for or exempted from Swiss old age and survivor insurance and disability insurance will automatically be eligible for or exempted from the Swiss unemployment insurance. Additionally, the time limit for dispatched personnel to enjoy exemption from the corresponding social insurance contributions under the Agreement is not more than six years, if initially applied; an extension can be granted with consent of competent authorities of the Chinese and Swiss governments, if the dispatch lasts for over six years.

You read the complete news at:

http://www.mohrss.gov.cn/gkml/xxgk/201706/t20170619_272560.html

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C&A ADVISORS

Tax, Accounting & Advisory
斯纳安企业管理咨询

SHANGHAI

Centro,
Suites 2002-2003,
568 Hengfeng Road,
Zhabei District 200070,
Shanghai
Tel: +86 (21) 5298 5060
Fax: +86 (21) 5298 5061

BEIJING

Jianwai Soho n. 39,
Building 15, Suite 2208,
Middle East 3rd Ring Road,
Chaoyang District 100020,
Beijing
Tel: +86 (10) 5900 2721
Fax: +86 (10) 5900 1479

GUANGZHOU

Peace World Plaza,
Suite 2606 362-366,
Huanshi East Road,
Yuexiu District 510060,
Guangzhou
Tel: +86 (20) 8374 4399
Fax: +86 (20) 8374 1408

HONG KONG

Suite 2301, 23rd Floor,
Chinachem Hollywood Centre, 1-13
Hollywood Road Central,
Hong Kong S.A.R.
Tel: +852 3695 5170
Fax: +852 3568 6277

LONDON

1 Duchess Street, Suite 3,
4th floor, London W1W6AN
Tel: +44 (0) 207 5802 277
Fax: +44 (0) 207 6313 751